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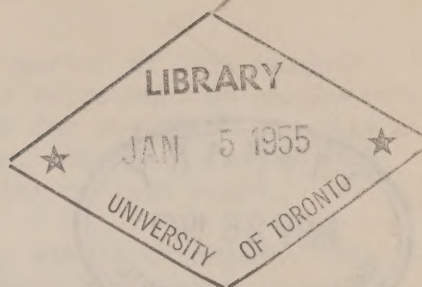




CANADA

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Dominion Bureau of Statistics  
DEPARTMENT OF TRADE AND COMMERCE



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE

First and Second Quarters  
1953-60

(A Supplement to National Accounts, Income and Expenditures, by Quarters, 1947-1952)

*Published by*  
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## National Accounts Income and Expenditure - Second Quarter 1953

Gross National Product in the second quarter of 1953 reached \$5,782 million. Seasonally adjusted, this represents an annual rate of \$24.2 billion. The average annual rate for the first six months of the year has been just over \$24 billion, more than maintaining the high level reached in the fourth quarter of last year<sup>1</sup>.

With the price level remaining fairly stable throughout this period, volume increases over a year ago have been quite large. Changes in the volume of production of goods and services between recent quarters and corresponding quarters one year earlier are shown below.

	<u>1952</u>				<u>1953</u>	
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>
Percent change since same quarter of a year ago.	+3	0	+9	+12	+7	+6

In appraising the above volume comparisons for the year 1953 as a whole, it must be pointed out that the volume of output in the last half of 1952 was at a very high level. Thus, the current rate of output of \$24.2 billion, if sustained for the balance of the year, would yield a smaller percentage increase over the whole of last year, than is indicated in the comparison for the first half of 1953 with the first half of 1952.

A useful analytical statistic is provided by removing Accrued Net Income of Farm Operators from Farm Production from the total of Gross National Product. The remainder reflects more closely than does the total Gross National Product the movements in the "non-farm" sector of the Canadian economy<sup>2</sup>; it is shown below in its seasonally adjusted form at annual rates, in current dollars. It will be noted that the increment of \$.2 billion between the first and second quarters of this year is smaller than immediately preceding increments.

	<u>1952</u>				<u>1953</u>	
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>
Billions of dollars.	20.5	21.0	21.2	21.7	22.3	22.5

1. The reference is to the seasonally adjusted data.
2. This remainder includes, in addition, smaller components of Gross National Product which originate in agriculture, such as wages and salaries, interest, rents, depreciation and so on.



A major factor in the past year has been the continued increase in wages and salaries, which, along with relatively stable consumer prices, has supported substantial gains in the volume of personal expenditure on consumer goods and services. At the same time, the ratio of personal saving (excluding farm inventory change) to personal disposable income (excluding farm inventory change) continued at a very high level. While consumer purchases of durable goods were very high in the first half of this year, they were slightly lower in the second quarter than in the first (seasonally adjusted), and there was a shift to non-durable purchases.

Government expenditure on goods and services appeared to be levelling off in the first half of 1953 after the long continued increases of the two and a half years following the outbreak of the Korean conflict. The rate of government expenditure at all levels, seasonally adjusted, averaged approximately \$4.3 billion in the first half of 1953, compared with \$4.2 billion for the year 1952 as a whole.

For the past year, the major gains in the investment field have been made by residential construction<sup>1</sup>. Non-residential construction and new machinery and equipment have remained fairly stable<sup>1</sup>. Residential construction, however, levelled off in the second quarter, after a succession of impressive gains.

The high and steady levels of production in the first half of 1953 were accompanied by some accumulation of business inventories, particularly in manufacturing, wholesale trade and retail trade. This was in contrast with the very small additions to inventories which had occurred since the last quarter of 1951. Textile and automotive groups were of major importance in the current inventory increases.

Exports of goods and services moved up to the 1952 levels in the second quarter of this year, following a temporary decline in the first quarter<sup>1</sup>. The resumption of wheat shipments in May from the west coast, following a prolonged longshoreman's strike, partly accounted for the change. By groups, trends were mixed with declines in exports of some wood and metal products being offset by gains in other fields.

Imports of goods and services continued an upward trend for the fourth consecutive quarter<sup>1</sup>. Increasing imports of durable consumer goods, iron and steel products and textiles contributed to this development. Since import prices have been relatively stable, these value gains have been matched in volume terms. The upward movement of the volume of imports of goods and services, stability of the volume of exports of goods and services, and a slight deterioration in the terms of trade in 1953, have resulted in a substantial deficit on current account in the first half of this year. The exchange rate, however, remained fairly stable, with the Canadian dollar slightly less than \$1.02 U.S., on average.

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1. The reference is to the seasonally adjusted data.

Investment income in the first half of this year was somewhat higher than a year ago. The total rental income component increased steadily. Corporation profits before taxes were approximately the same in the second quarter as in the same quarter a year ago.

In summary, the rising level of real production, stable volume of exports of goods and services and increasing volume of imports of goods and services resulted in an increased supply of goods and services available for domestic use. The increase in the second quarter over second quarter comparison was absorbed mainly by consumers and by inventory accumulation, with new residential construction being the other major user of the additional resources.



TABLE I. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, '1953  
(millions of dollars)

	1953	
	I	II
1. Wages, Salaries and Supplementary Labour Income.....	2,772	2,896
2. Military Pay and Allowances.....	70	77
3. Investment Income.....	849	1,009
Net Income of Unincorporated Business:		
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	61	168
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> ....	350	418
6. NET NATIONAL INCOME AT FACTOR COST.....	4,102	4,568
7. Indirect Taxes Less Subsidies.....	682	745
8. Depreciation Allowances and Similar Business Costs....	521	557
9. Residual Error of Estimate.....	22	-88
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,327	5,782
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(5,266)	(5,614)

Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953  
(millions of dollars)

	1953	
	I	II
* 1. Personal Expenditure on Consumer Goods and Services.....	3,451	3,785
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,185	887
Gross Domestic Investment: <sup>2</sup>		
3. New Residential Construction.....	198	278
4. New Non-Residential Construction.....	288	370
5. New Machinery and Equipment.....	480	546
6. Change in Inventories.....	-77	15
7. (Business Inventories only) <sup>3</sup> .....	(138)	(209)
8. Exports of Goods and Services.....	1,159	1,408
9. Deduct: Imports of Goods and Services.....	-1,335	-1,595
10. Residual Error of Estimate.....	-22	88
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,327	5,782

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.
4. Includes defence expenditures of \$591 million and \$398 million, respectively.

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1953  
(millions of dollars)

1953		
	I	II
1. Wages, Salaries and Supplementary Labour Income.....	2,772	2,896
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-90	-90
3. Military Pay and Allowances.....	70	77
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	34	186
5. Net Income of Non-Farm Unincorporated Business.....	350	418
6. Interest, Dividends and Net Rental Income of Persons..	393	420
Transfer Payments to Persons:		
7. From Government (Excluding Interest).....	418	339
8. Charitable Contributions by Corporations.....	7	8
9. Net Bad Debt Losses of Corporations.....	6	7
10. PERSONAL INCOME.....	3,960	4,261

Footnote:

1. This item differs from line 4 of Table I in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1953  
(millions of dollars)

1953		
	I	II
1. Income Taxes.....	312	381
2. Succession Duties.....	19	17
3. Miscellaneous.....	23	18
4. Total Personal Direct Taxes.....	354	416
5. Non-Durable Goods.....	1,900	2,124
6. Durable Goods.....	412	500
7. Services <sup>1</sup> .....	1,139	1,161
8. Total Personal Expenditure on Consumer Goods and Services.....	3,451	3,785
9. Personal Saving.....	155	60
10. Farm Inventory Change.....	-239	-119
11. Personal Saving Excluding Farm Inventory Change.....	394	179
12. PERSONAL INCOME.....	3,960	4,261
13. (Personal Disposable Income) <sup>2</sup> .....	(3,606)	(3,845)

Footnotes:

1. Includes net expenditure abroad.  
2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953	
	I	II
1. Wages, Salaries and Supplementary Labour Income.....	11,452	11,696
2. Military Pay and Allowances.....	280	308
3. Investment Income.....	3,804	3,764
Net Income of Unincorporated Business:		
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,620	1,700
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,632	1,644
6. NET NATIONAL INCOME AT FACTOR COST.....	18,788	19,112
7. Indirect Taxes Less Subsidies.....	2,868	2,980
8. Depreciation Allowances and Similar Business Costs.....	2,236	2,328
9. Residual Error of Estimate.....	36	-200
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	23,928	24,220
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(22,308)	(22,520)

Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and no seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE BY QUARTERS, 1953, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953	
	I	II
* 1. Personal expenditure on Consumer Goods and Services.....	14,964	15,140
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,364	4,188
Gross Domestic Investment: <sup>2</sup>		
3. New Residential Construction.....	1,048	1,000
4. New Non Residential Construction.....	1,452	1,452
5. New Machinery and Equipment.....	1,968	1,932
6. Change in Inventories.....	800	764
7. (Business Inventories Only) <sup>3</sup> .....	(336)	(572)
8. Exports of Goods and Services.....	5,308	5,564
9. Deduct: Imports of Goods and Services.....	-5,944	-6,020
10. Residual Error of Estimate.....	-32	200
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	23,928	24,220

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1953, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953	
	I	II
1. Wages, Salaries and Supplementary Labour Income.....	11,452	11,696
2. Deduct: Employer & Employee Contributions to Social Insurance and Government Pension Funds.....	-360	-372
3. Military Pay and Allowances.....	280	308
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,512	1,768
5. Net Income of Non-Farm Unincorporated Business.....	1,632	1,644
6. Interest, Dividends and Net Rental Income of Persons. <sup>2</sup> .....	1,636	1,680
Transfer Payments (Excluding Interest):		
7. From Governments.....	1,392	1,504
8. Charitable Contributions from Corporations.....	28	32
9. Net Bad Debt Losses of Corporations.....	24	28
10. PERSONAL INCOME.....	17,596	18,288

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1953, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953	
	I	II
1. Income Taxes.....	1,300	1,344
2. Succession Duties.....	76	68
3. Miscellaneous.....	68	72
4. Total Personal Direct Taxes.....	1,444	1,484
5. Non-Durable Goods.....	8,548	8,772
6. Durable Goods.....	1,872	1,796
7. Services <sup>1</sup> .....	4,544	4,572
8. Total Personal Expenditure on Consumer Goods and Services.....	14,964	15,140
9. Personal Saving.....	1,188	1,664
10. Farm Inventory Change.....	12	116
11. Personal Saving Excluding Farm Inventory Change.....	1,176	1,548
12. PERSONAL INCOME.....	17,596	18,288
*13. (Personal Disposable Income) <sup>2</sup> .....	(16,152)	(16,804)

Footnote:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, 1953<sup>1</sup>  
UNADJUSTED FOR SEASONALITY  
(millions of dollars)

	1953	
	I	II
1. Personal Expenditure on Consumer Goods and Services.....	2,950	3,255
2. (Non- Durable Goods).....	(1,702)	(1,920)
3. (Durable Goods).....	(358)	(434)
4. (Services).....	(890)	(901)
5. Government Expenditure on Goods and Services....	968	726
Gross Domestic Investment:		
6. New Residential Construction.....	158	220
7. New Non-Residential Construction.....	219	281
8. New Machinery and Equipment.....	404	455
9. Change in Inventories.....	-100	-145
10. (Business Inventories Only).....	(135)	(173)
11. Exports of Goods and Services.....	1,007	1,245
12. Deduct: Imports of Goods and Services.....	-1,221	-1,447
13. Residual Error of Estimate.....	-18	73
14. GROSS NATIONAL EXPENDITURE.....	4,367	4,663

Footnote:

1. See footnotes 1 to 3, Table 2.



(CANADA

Dominion Bureau of Statistics  
DEPARTMENT OF TRADE AND COMMERCE



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE

*Third Quarter*

1953

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Minister of Trade and Commerce

Prepared by the Research and Development Division  
Dominion Bureau of Statistics  
Ottawa



# National Accounts Income and Expenditure - Third Quarter 1953

Gross National Product in the third quarter of 1953 was at an annual rate of \$24.2 billion, substantially the same as in the second quarter and somewhat higher than the first quarter after seasonal adjustment. Recent quarterly changes in non-farm output<sup>1</sup> are shown in the following table of seasonally adjusted data:

	1952				1953		
	I	II	III	IV	I	II	III
	(\$ billion)						
Gross National Product (excluding accrued net income of farm operators from farm production)	20.5	21.0	21.2	21.7	22.3	22.4	22.6
First differences (\$ billion)	-	+5	+2	+5	+6	+1	+2

Turning to the total volume of output of goods and services, farm and non-farm, the first nine months of 1953 were 4 per cent above the first nine months of 1952. However, the volume of production of goods and services, of the third quarter of this year, when compared with that of a year ago, has shown a smaller increment than the gains of preceding quarters, amounting to only about 1 per cent. This reflects in part the fact that the volume of output in the last half of 1952 was at a very high level, and also the fact that farm output in the third quarter of this year has been smaller than a year ago. The percentage changes are shown below.

	1952				1953		
	I	II	III	IV	I	II	III
Change in volume of G.N.P. compared with same quarter of preceding year (per cent)	+3	0	+9	+12	+7	+6	+1

It may be noted that the gain in the volume of production in the non-farm sector of the economy was considerably greater in the third quarter than is suggested by the percentage increase shown above. Available evidence suggests that with agricultural output removed, the increase in the volume of production amounted to about 4 per cent over the third quarter of last year, compared with a gain of about 6 per cent in the comparison of the first and second quarter data with the comparable figures of last year.

The stability in output shown during the year appears to have been accompanied by few major shifts among major spending sectors. The third quarter levelling off in the total of consumer expenditure was offset by a strengthening of the investment sector. The gap between exports of goods and services and imports of goods and services (seasonally adjusted), narrowed somewhat as imports declined slightly.

Business inventories continued to show increases in the third quarter. However, it should be pointed out that the year 1952 was one of very little change of business inventories. The book value of manufacturing inventories at the end of September, 1953, was 4 per cent above that of a year previously. For retail and wholesale trade the percentages were somewhat higher. Further details on the above expenditure components are given below.

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1. As indicated by Gross National Product less accrued net income of farm operators from farm production.



## Gross National Product

Turning to the income side of the National Accounts, the principal developments of the third quarter occurred in wages, salaries and supplementary labour income, investment income and accrued net income of farm operators from farm production. The stimulating effect of continued increases in real income during the past two years was noted in previous quarterly releases. These gains were associated with the growth of personal expenditure on consumer goods and services and the high level of personal savings. In the third quarter data, however, it may be noted that wages, salaries and supplementary labour income, after seasonal adjustment, were not increasing as heretofore. The third quarter level, seasonally adjusted, was unchanged from the second quarter. Comparison with monthly payroll data indicates that after allowance for seasonal factors, a small decline occurred in the last month of the quarter (September) and that this was particularly apparent in durable goods manufacturing.

The major items in investment income are corporation profits before taxes, interest and net rental income of persons and government investment income. While the latter two items were unchanged in total between the second and third quarters, quarterly profits were down moderately from the second quarter, if seasonal factors are taken into account; they were also down from the third quarter of a year ago. Thus the total of investment income (seasonally adjusted at annual rates) dropped from \$3.8 billion in the second quarter to \$3.5 billion in the third quarter.

Accrued net income of farm operators from farm production was down 8 per cent from the third quarter of a year ago. The first and second quarters were also lower than a year ago. The decline in the nine-month comparison with a year ago amounted to approximately 13 per cent.

## Gross National Expenditure

Personal expenditure on consumer goods and services (seasonally adjusted) was at an annual rate of \$14.9 billion in the third quarter substantially unchanged from the second quarter. The volume of durable goods purchases was running at a level of nearly 10 per cent above the third quarter of a year ago. In the non-durable goods sector, while prices have declined somewhat, there has been a more than offsetting increase in the volume of purchases, resulting in a 2 per cent increase in value above a year ago in the third quarter. Services, on the other hand, were subject to a continued increase in prices, and the value went up accordingly, while there was very little change in volume. In the nine-month comparison with last year, the total of personal expenditure on all consumer goods and services was up by 6 per cent both in value and volume.

Government expenditure on goods and services in the third quarter amounted to \$1.2 billion, about 8 per cent above the third quarter of a year ago. This increase was split evenly between price and volume increases. Federal government defence expenditure was the principal item in this increase.

The level of new residential construction continued very high in the third quarter, being 25 per cent above the third quarter of a year ago, almost entirely accounted for by volume gains. On a seasonally adjusted basis this component was about the same as in the first and second quarters of this year, both of which were very much above the relatively low level of the first half of 1952.

Investment in new non-residential construction was 10 per cent above a year ago in the third quarter, but as there were some price increases, the volume gain was only 5 per cent. New machinery and equipment purchases were approximately 6 per cent above a year ago in value and 4 per cent higher in volume. The seasonally adjusted value data show increases between the second and third quarters for both non-residential construction and machinery and equipment.

The book value of business inventories continued to show accumulation in the third quarter. Volume changes were of comparable magnitude, as there was very little price change for inventories in general. Changes in all business stocks, from a year ago, were in proportion to the increases in non-farm output of goods and services.

The seasonally adjusted data on imports of goods and services show a small decline between the second and third quarters. Seasonally adjusted exports of goods and services on the other hand, increased fractionally so that there was a tendency toward narrowing of the deficit in the third quarter.

#### Personal Saving

The high level of personal income in the third quarter was reflected in a continued high level of personal saving, which amounted to \$1.4 billion (seasonally adjusted at annual rates) in the third quarter. If farm inventory changes are excluded, the above figure becomes \$1.6 billion, which was 10 per cent of disposable income exclusive of farm inventory changes.

TABLE I. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Wages, Salaries and Supplementary Labour Income...	2,540	2,611	2,752	2,840	2,772	2,896	2,991
2. Military Pay and Allowances.....	60	67	69	74	70	77	79
3. Investment Income.....	799	969	993	905	849	1,009	987
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	152	110	1,439	233	61	87	1,324
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> ...	306	392	401	423	350	418	410
6. NET NATIONAL INCOME AT FACTOR COST.....	3,857	4,149	5,654	4,475	4,102	4,487	5,791
7. Indirect Taxes Less Subsidies.....	637	657	692	701	682	745	733
8. Depreciation Allowances and Similar Business Costs	476	509	527	558	521	557	573
9. Residual Error of Estimate.....	15	20	19	65	22	-88	+37
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	4,985	5,335	6,892	5,799	5,327	5,701	7,134
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(4,833)	(5,225)	(5,453)	(5,566)	(5,266)	(5,614)	(5,810)

Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,219	3,575	3,487	4,053	3,451	3,785	3,625
2. Government Expenditure on Goods and Services <sup>1,4</sup> ...	1,082	857	1,090	1,187	1,185	887	1,181
Gross Domestic Investment: <sup>2</sup>							
3. New Residential Construction.....	130	206	229	238	198	278	286
4. New Non-Residential Construction.....	284	358	433	401	288	370	476
5. New Machinery and Equipment.....	425	547	452	435	480	546	478
6. Change in Inventories.....	-173	-227	1,150	-472	-77	-65	1,148
7. (Business Inventories only) <sup>3</sup> .....	(-10)	(-9)	(47)	(-79)	(138)	(211)	(156)
8. Exports of Goods and Services.....	1,238	1,411	1,428	1,504	1,159	1,408	1,471
9. Deduct: Imports of Goods and Services.....	-1,205	-1,372	-1,357	-1,483	-1,335	-1,595	-1,494
10. Residual Error of Estimate.....	-15	-20	-20	-64	-22	87	-37
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	4,985	5,335	6,892	5,799	5,327	5,701	7,134

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.
4. Includes defence expenditures of:

1952				1953		
I	II	III	IV	I	II	III
538	384	410	500	591	398	456



TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Wages, Salaries and Supplementary Labour Income...	2,540	2,611	2,752	2,840	2,772	2,896	2,991
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds....	-82	-83	-83	-88	-90	-90	-93
3. Military Pay and Allowances.....	60	67	69	74	70	77	79
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	153	75	1,377	304	34	109	1,272
5. Net Income of Non-Farm Unincorporated Business....	306	392	401	423	350	418	410
6. Interest, Dividends and Net Rental Income of Persons.....	376	395	372	397	393	420	423
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	381	323	333	333	418	339	340
8. Charitable Contributions by Corporations.....	6	8	8	8	7	8	8
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	6	7	7
10. PERSONAL INCOME.....	3,746	3,794	5,235	4,298	3,960	4,184	5,437

Footnote:  
1. This item differs from line 4 of Table I in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Income Taxes.....	266	332	279	300	312	381	291
2. Succession Duties.....	21	17	15	18	19	17	20
3. Miscellaneous.....	25	18	13	16	23	18	12
4. Total Personal Direct Taxes.....	312	367	307	334	354	416	323
5. Non-Durable Goods.....	1,856	2,041	2,087	2,486	1,900	2,124	2,125
6. Durable Goods.....	306	435	368	423	412	500	402
7. Services <sup>1</sup> .....	1,057	1,099	1,032	1,144	1,139	1,161	1,098
8. Total Personal Expenditure on Consumer Goods and Services.....	3,219	3,575	3,487	4,053	3,451	3,785	3,625
9. Personal Saving.....	215	-148	1,441	-89	155	-17	1,489
10. Farm Inventory Change.....	-150	-215	1,050	-447	-239	-201	883
11. Personal Saving Excluding Farm Inventory Change...	365	67	391	358	394	184	606
12. PERSONAL INCOME.....	3,746	3,794	5,235	4,298	3,960	4,184	5,437
13. (Personal Disposable Income) <sup>2</sup> .....	(3,434)	(3,427)	(4,928)	(3,964)	(3,606)	(3,768)	(5,114)

Footnotes:  
1. Includes net expenditure abroad.  
2. Personal Income less Total Personal Direct Taxes.

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS,  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Wages, Salaries and Supplementary Labour Income...	10,492	10,552	10,704	11,224	11,432	11,680	11,704
2. Military Pay and Allowances.....	240	268	276	296	280	308	316
3. Investment Income.....	3,620	3,648	3,612	3,784	3,804	3,764	3,548
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,996	1,708	1,748	2,284	1,620	1,648	1,564
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> ...	1,428	1,540	1,516	1,604	1,632	1,644	1,552
6. NET NATIONAL INCOME AT FACTOR COST.....	17,776	17,716	17,856	19,192	18,788	19,044	18,684
7. Indirect Taxes Less Subsidies.....	2,664	2,612	2,788	2,684	2,868	2,980	2,952
8. Depreciation Allowances and Similar Business Costs	2,032	2,120	2,064	2,064	2,236	2,268	2,268
9. Residual Error of Estimate.....	32	220	228	-4	36	-220	272
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	22,504	22,668	22,936	23,936	23,928	24,072	24,176
11. (Gross National Product at Market Prices Exclud- ing Accrued Net Income of Farm Operators).....	(20,508)	(20,960)	(21,188)	(21,652)	(22,308)	(22,424)	(22,612)

Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and no seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	13,996	14,320	14,312	14,708	14,964	15,036	14,924
2. Government Expenditure on Goods and Services <sup>1</sup> .....	3,988	4,040	4,172	4,664	4,364	4,188	4,532
Gross Domestic Investment: <sup>2</sup>							
3. New Residential Construction.....	696	748	832	936	1,048	1,000	1,032
4. New Non-Residential Construction.....	1,440	1,412	1,508	1,544	1,452	1,452	1,660
5. New Machinery and Equipment.....	1,744	1,912	1,932	1,848	1,968	1,932	2,036
6. Change in Inventories.....	416	16	280	400	800	700	552
7. (Business Inventories Only) <sup>3</sup> .....	(-260)	(-320)	(296)	(80)	(336)	(572)	(736)
8. Exports of Goods and Services.....	5,632	5,596	5,488	5,608	5,308	5,564	5,624
9. Deduct: Imports of Goods and Services.....	-5,376	-5,156	-5,356	-5,780	-5,944	-6,020	-5,912
10. Residual Error of Estimate.....	-32	-220	-232	8	-32	220	-272
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	22,504	22,668	22,936	23,936	23,928	24,072	24,176

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Wages, Salaries and Supplementary Labour Income...	10,492	10,552	10,704	11,224	11,452	11,680	11,704
2. Deduct: Employer & Employee Contributions to Social Insurance and Government Pension Funds....	-328	-344	-328	-344	-360	-372	-368
3. Military Pay and Allowances.....	240	268	276	296	280	308	316
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	2,000	1,568	1,500	2,568	1,512	1,736	1,356
5. Net Income of Non-Farm Unincorporated Business....	1,428	1,540	1,516	1,604	1,632	1,644	1,552
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,568	1,576	1,548	1,468	1,636	1,680	1,764
Transfer Payments (Excluding Interest):							
7. From Governments.....	1,256	1,424	1,392	1,408	1,392	1,504	1,428
8. Charitable Contributions from Corporations.....	24	32	32	32	28	32	32
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	24	28	28
10. PERSONAL INCOME.....	16,704	16,640	16,664	18,284	17,596	18,240	17,812

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Income Taxes.....	1,084	1,148	1,224	1,252	1,300	1,312	1,336
2. Succession Duties.....	84	68	60	72	76	68	80
3. Miscellaneous.....	72	72	72	72	68	72	68
4. Total Personal Direct Taxes.....	1,240	1,288	1,356	1,396	1,444	1,452	1,484
5. Non-Durable Goods.....	8,400	8,412	8,468	8,600	8,548	8,772	8,592
6. Durable Goods.....	1,404	1,580	1,520	1,624	1,872	1,692	1,744
7. Services <sup>1</sup> .....	4,192	4,328	4,324	4,484	4,544	4,572	4,588
8. Total Personal Expenditure on Consumer Goods and Services.....	13,996	14,320	14,312	14,708	14,964	15,036	14,924
9. Personal Saving.....	1,468	1,032	996	2,180	1,188	1,752	1,404
10. Farm Inventory Change.....	372	-28	192	416	12	64	-196
11. Personal Saving Excluding Farm Inventory Change...	1,096	1,060	804	1,764	1,176	1,688	1,600
12. PERSONAL INCOME.....	16,704	16,640	16,664	18,284	17,596	18,240	17,812
13. (Personal Disposable Income) <sup>2</sup> .....	(15,464)	(15,352)	(15,308)	(16,888)	(16,152)	(16,788)	(16,328)

Footnote:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.



TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, UNADJUSTED FOR SEASONALITY  
(millions of dollars)

	1952				1953		
	I	II	III	IV	I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	2,728	3,069	2,983	3,461	2,950	3,255	3,080
2. (Non-Durable Goods).....	1,600	1,801	1,842	2,202	1,702	1,920	1,899
3. (Durable Goods).....	255	371	319	369	358	434	350
4. (Services).....	873	897	822	890	890	901	831
5. Government Expenditure on Goods and Services.....	897	718	906	972	968	726	946
Gross Domestic Investment:							
6. New Residential Construction.....	105	167	186	191	158	220	227
7. New Non-Residential Construction.....	226	284	343	311	219	281	361
8. New Machinery and Equipment.....	354	460	385	370	404	455	402
9. Change in Inventories.....	-234	-280	1,419	-514	-100	-145	1,341
10. (Business Inventories Only).....	(-22)	(32)	(65)	(-86)	(135)	(173)	(137)
11. Exports of Goods and Services.....	1,051	1,229	1,266	1,337	1,007	1,245	1,310
12. Deduct: Imports of Goods and Services.....	-1,044	-1,246	-1,256	-1,361	-1,221	-1,447	-1,353
13. Residual Error of Estimate.....	-13	-17	-17	-53	-18	73	-31
14. GROSS NATIONAL EXPENDITURE.....	4,070	4,384	6,215	4,714	4,367	4,663	6,283

Footnote:

1. See footnotes 1 to 3, Table 2.

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DEPARTMENT OF TRADE AND COMMERCE



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
*Fourth Quarter*  
1953

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NATIONAL ACCOUNTS, INCOME AND EXPENDITURE, FOURTH QUARTER 1953

(Quarterly data included in this report have been adjusted to the annual totals published in National Accounts, Income and Expenditure, Preliminary 1953).

Gross National Product in the fourth quarter of 1953 was at an annual rate of \$24,248 million after seasonal adjustment. This represents an increase of 1 per cent over the fourth quarter of a year ago, but a decline of approximately 1 per cent from the third quarter level of \$24,512 million. If accrued net income of farm operators from farm production is taken out of these totals, a similar movement is shown from the third to the fourth quarter:

Seasonally Adjusted

	1952				1953			
	I	II	III	IV	I	II	III	IV
Gross National Product (excluding accrued net income of farm operators from farm production)	20.5	21.1	21.4	21.6	22.3	22.7	22.7	22.5
First differences (\$ billion)	-	+ .6	+ .3	+ .2	+ .7	+ .4	.0	-.2

The moderate reduction in the aggregate value of output between the third and fourth quarters reflects primarily a cessation in the rate of business inventory accumulation. Expenditures of consumers and governments on goods and services and new construction outlays were stable. There were declines in seasonally adjusted exports and imports of goods and services and investment in new machinery and equipment.

Changes in the volume of production of goods and services by quarters are shown in the following table:

	1952				1953			
	I	II	III	IV	I	II	III	IV
Change in volume of G.N.P. compared with same quarter of preceding year (per cent)	+3	0	+9	+12	+6	+7	+2	+2

If farm production is excluded, the volume of production in the third and fourth quarters of 1953 was 5 per cent and 2 per cent higher, respectively, than in the corresponding quarters of 1952.

National Income and Gross National Product

Gains in seasonally adjusted wages and salaries were minor in the fourth quarter. Thus the levelling off in this component which was apparent in the third quarter continued into the fourth quarter of 1953. While most major groups were relatively unchanged, wages and salaries in the service industries continued to expand. It may be noted, however, that when comparisons are made with the fourth quarter of last year, all major groups show increases with the exception of primary industries, the latter reflecting lessened activity in forestry. It should be pointed out that the September-December seasonal rise in the composite index of employment which has occurred in each of the past five years did not take place in 1953; in 1953, the index declined slightly between these months. This development was particularly apparent in mining and in durable and non-durable manufacturing. However, average hourly earnings showed no tendency to fall off.

The major item in investment income, corporation profits before taxes, was lower than in the fourth quarter of a year ago. After allowance for seasonal factors, corporation profits before taxes were approximately the same in the fourth quarter as in the third quarter of 1953, and the third and fourth quarters were below the level of the preceding two quarters. Other items of investment income were down slightly in total from the third quarter after seasonal adjustment.

Accrued net income of farm operators from farm production was down 18 per cent from the fourth quarter of a year ago, as a result of both lower production and prices. The first three quarters of 1953 were also lower than corresponding quarters of a year ago. For the year 1953 as a whole the decline in accrued net income of farm operators averaged out to approximately 14 per cent.

There were only very minor changes in net income of non-farm unincorporated business, and in depreciation allowances and similar business costs in the fourth quarter. If seasonal factors are taken into account, indirect taxes less subsidies showed a decline from the third to the fourth quarter, reflecting, in part, a drop in customs import duties associated with the falling off of imports in the fourth quarter.

### Gross National Expenditure

In the fourth quarter, the components of Gross National Expenditure showed mixed trends, with elements of continued strength being more than offset by declines in some sectors. As noted above, there was some reduction in the rate of inventory accumulation, investment in machinery and equipment and exports of goods and services in the fourth quarter, if seasonal factors are taken into consideration. Personal expenditure on consumer goods and services and government expenditure on goods and services were relatively steady between the third and fourth quarters, while new residential construction continued to expand.

Consumer purchases of goods and services were at a seasonally adjusted annual rate of \$15.1 billion in the fourth quarter, slightly higher than in the third quarter. While purchases of durables remained steady, with increases in television sets offsetting declines in some other appliances, the rate of non-durable purchases edged upward, reflecting increases in food and a slight rise in clothing expenditures. It is interesting to note that new automobile purchases were about level with the fourth quarter of 1952, although they were considerably higher in the first three quarters of 1953 than in the corresponding period of 1952. Expenditure on services continued to increase in the fourth quarter.

The expansionary impetus of the defence programme was not as significant in 1953 as in the preceding two years; defence expenditures in the fourth quarter, seasonally adjusted, showed little change from preceding quarters. However, provincial and municipal government expenditures increased moderately in the last quarter of 1953.

Expenditure on new residential construction continued to rise in the fourth quarter, seasonally adjusted, more than offsetting a slight decrease in the rate of non-residential construction. Compared with the fourth quarter of 1952, housing and non-residential construction were 24 per cent and 10 per cent higher, respectively. Since prices were relatively stable, these increases reflect mainly gains in physical terms.

Investment expenditures on new machinery and equipment showed a decline from the third to the fourth quarter, and were also down by more than 10 per cent from the fourth quarter of the preceding year. Investment expenditures on agricultural equipment fell sharply.

In contrast with substantial business inventory accumulation in the second and third quarters of 1953, the book value of business inventories, seasonally adjusted, in the fourth quarter showed no further accumulation. The industries most affected by this development were manufacturing and wholesale and retail trade. There was a notable decrease in clothing inventories in the fourth quarter. It is interesting to note that the latter resulted from a combination of lower production and imports and somewhat higher consumer purchases of clothing.

Both exports and imports of goods and services declined between the third and fourth quarters of 1953, after seasonal adjustment, and were also below the fourth quarter of a year ago. Smaller shipments of grains were the principal item in the export decline and farm implements and lead and zinc were also below the fourth quarter level of a year previously. Export prices fell somewhat in the fourth quarter over fourth quarter comparison and the volume decline in exports of goods and services amounted to about 6 per cent. Smaller imports of various industrial materials and some types of equipment accounted for a large share of the decline in imports by comparison with the fourth quarter of a year ago. With import prices fractionally higher than in the fourth quarter of a year ago, the volume decline was about 4 per cent.



### Personal Income and Expenditure

Personal Income continued its upward course, rising to a seasonally adjusted annual rate of \$18.3 billion in the fourth quarter. A substantial payment by the Canadian Wheat Board on the 1952-53 crop contributed to an increase in net income of farm operators from farm production, more than offsetting smaller interest, dividends and net rental income of persons. All other items remained relatively unchanged from the third quarter rate.

Turning to the disposition of the above incomes, the high and stable level of personal expenditure on consumer goods and services has been outlined above. Personal direct taxes on a seasonally adjusted basis were relatively unchanged throughout the year. After deducting these items from personal income, the residual item of personal saving in the fourth quarter was at a seasonally adjusted annual rate of \$1.7 billion or about the same as in the second and third quarters. However, a portion of net income of farm operators from farm production is represented by increased holdings of grain and livestock, and personal saving exclusive of these inventory changes was about \$1.3 billion at annual rates, or 8 per cent of personal disposable income exclusive of farm inventory change.



TABLE I. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Wages, Salaries and Supplementary Labour Income...	2,540	2,611	2,752	2,840	2,715	2,899	2,994	2,987
2. Military Pay and Allowances.....	60	67	69	74	70	77	79	83
3. Investment Income.....	799	969	993	905	854	1,011	1,002	870
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	152	110	1,439	233	47	92	1,337	191
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> ...	306	392	401	423	341	416	417	435
6. NET NATIONAL INCOME AT FACTOR COST.....	3,857	4,149	5,654	4,475	4,087	4,495	5,829	4,566
7. Indirect Taxes Less Subsidies.....	648	669	704	723	707	746	740	730
8. Depreciation Allowances and Similar Business Costs	476	509	527	558	520	556	573	617
9. Residual Error of Estimate.....	23	35	33	70	0	-44	69	51
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,004	5,362	6,918	5,826	5,314	5,753	7,211	5,964
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(4,852)	(5,252)	(5,479)	(5,593)	(5,267)	(5,661)	(5,874)	(5,773)

Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Personal Expenditure on Consumer Goods and Services.....	3,219	3,575	3,487	4,053	3,451	3,788	3,626	4,170
2. Government Expenditure on Goods and Services <sup>1,4</sup> ...	1,079	863	1,102	1,187	1,161	889	1,218	1,182
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction.....	126	200	223	237	193	269	306	294
4. New Non-Residential Construction.....	306	382	451	422	320	411	524	464
5. New Machinery and Equipment.....	437	566	466	449	485	549	483	403
6. Change in Inventories.....	-173	-227	1,150	-472	-116	-4	1,136	-433
7. (Business Inventories only) <sup>3</sup> .....	(-10)	(-9)	(47)	(-79)	(128)	(251)	(135)	(-139)
8. Exports of Goods and Services <sup>5</sup> .....	1,238	1,411	1,428	1,504	1,170	1,417	1,491	1,372
9. Deduct: Imports of Goods and Services <sup>5</sup> .....	-1,205	-1,372	-1,357	-1,483	-1,350	-1,609	-1,504	-1,437
10. Residual Error of Estimate.....	-23	-36	-32	-71	0	+43	-69	-51
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,004	5,362	6,918	5,826	5,314	5,753	7,211	5,964

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.
4. Includes defence expenditures of:

1952				1953			
I	II	III	IV	I	II	III	IV
511	383	409	497	589	400	455	465
5. For more detailed data on quarterly trends see "Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter, 1953, and Preliminary Estimates, Calendar Year, 1953".

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Wages, Salaries and Supplementary Labour Income...	2,540	2,611	2,752	2,840	2,775	2,899	2,994	2,987
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds....	-82	-83	-83	-88	-92	-94	-96	-100
3. Military Pay and Allowances.....	60	67	69	74	70	77	79	83
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	153	75	1,377	304	25	114	1,285	218
5. Net Income of Non-Farm Unincorporated Business....	306	392	401	423	341	416	417	435
6. Interest, Dividends and Net Rental Income of Persons.....	376	395	372	397	391	422	426	417
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	381	323	333	333	429	342	343	352
8. Charitable Contributions by Corporations.....	6	8	8	8	7	8	8	7
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	6	7	7	8
10. PERSONAL INCOME.....	3,746	3,794	5,235	4,298	3,952	4,191	5,463	4,407

Footnote:

1. This item differs from line 4 of Table I in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Income Taxes.....	266	332	279	300	312	381	291	303
2. Succession Duties.....	21	17	15	18	19	17	20	17
3. Miscellaneous.....	25	18	13	16	27	18	12	15
4. Total Personal Direct Taxes.....	312	367	307	334	358	416	323	335
5. Non-Durable Goods.....	1,856	2,041	2,087	2,486	1,904	2,128	2,126	2,535
6. Durable Goods.....	306	435	368	423	413	501	403	438
7. Services <sup>1</sup> .....	1,057	1,099	1,032	1,144	1,134	1,159	1,097	1,197
8. Total Personal Expenditure on Consumer Goods and Services.....	3,219	3,575	3,487	4,053	3,451	3,788	3,626	4,170
9. Personal Saving.....	215	-148	1,441	-89	143	-13	1,514	-98
10. Farm Inventory Change.....	-150	-215	1,050	-447	-268	-180	892	-380
11. Personal Saving Excluding Farm Inventory Change...	365	67	391	358	411	167	622	282
12. PERSONAL INCOME.....	3,746	3,794	5,235	4,298	3,952	4,191	5,463	4,407
13. (Personal Disposable Income) <sup>2</sup> .....	(3,434)	(3,427)	(4,928)	(3,964)	(3,594)	(3,775)	(5,140)	(4,072)

Footnotes:

1. Includes net expenditure abroad.  
2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Wages, Salaries and Supplementary Labour Income.....	10,492	10,552	10,704	11,224	11,444	11,692	11,716	11,768
2. Military Pay and Allowances.....	240	268	276	296	280	308	316	332
3. Investment Income.....	3,620	3,648	3,612	3,784	3,896	3,812	3,652	3,588
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,996	1,708	1,748	2,284	1,636	1,548	1,760	1,724
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,428	1,540	1,516	1,604	1,588	1,632	1,584	1,632
6. NET NATIONAL INCOME AT FACTOR COST.....	17,776	17,716	17,856	19,192	18,844	18,992	19,028	19,044
7. Indirect Taxes Less Subsidies.....	2,708	2,664	2,836	2,768	2,956	2,972	2,968	2,796
8. Depreciation Allowances and Similar Business Costs.....	2,032	2,120	2,064	2,064	2,200	2,264	2,272	2,328
9. Residual Error of Estimate.....	24	356	368	-104	-28	8	244	80
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	22,540	22,856	23,124	23,920	23,972	24,236	24,512	24,248
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators)(20,544)(21,148)(21,376)(21,636)(22,336)(22,688)(22,752)(22,524)								

Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and no seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Personal Expenditure on Consumer Goods and Services.....	13,996	14,320	14,312	14,708	14,980	15,064	14,968	15,128
2. Government Expenditure on Goods and Services <sup>1</sup>	3,888	4,224	4,400	4,412	4,388	4,440	4,464	4,508
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction.....	668	728	812	936	1,020	1,000	1,044	1,184
4. New Non-Residential Construction.....	1,548	1,504	1,568	1,624	1,620	1,636	1,836	1,784
5. New Machinery and Equipment.....	1,792	1,980	1,992	1,908	2,016	1,864	2,088	1,712
6. Change in Inventories.....	416	16	280	400	592	668	592	480
7. (Business Inventories Only) <sup>3</sup> .....	(-260)	(-320)	(296)	(80)	(188)	(708)	(612)	(-8)
8. Exports of Goods and Services.....	5,632	5,596	5,488	5,608	5,344	5,616	5,692	5,148
9. Deduct: Imports of Goods and Services.....	-5,376	-5,156	-5,356	-5,780	-6,012	-6,044	-5,928	-5,616
10. Residual Error of Estimate.....	-24	-356	-372	+104	24	-8	-244	-80
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.	22,540	22,856	23,124	23,920	23,972	24,236	24,512	24,248

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding change in farm inventories and grain in commercial channels.



TABLE 7. SOURCES OF INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Wages, Salaries and Supplementary Labour Income.....	10,492	10,552	10,704	11,224	11,444	11,692	11,716	11,768
2. Deduct: Employer & Employee Contributions to Social Insurance and Government Pension Funds.....	-328	-344	-328	-344	-368	-388	-380	-392
3. Military Pay and Allowances.....	240	268	276	296	280	308	316	332
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	2,000	1,568	1,500	2,568	1,548	1,636	1,552	1,832
5. Net Income of Non-Farm Unincorporated Business.....	1,428	1,540	1,516	1,604	1,588	1,632	1,584	1,632
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,568	1,576	1,548	1,468	1,624	1,684	1,772	1,544
Transfer Payments (Excluding Interest):								
7. From Governments.....	1,256	1,424	1,392	1,408	1,420	1,516	1,436	1,492
8. Charitable Contributions to Corporations....	24	32	32	32	28	32	32	28
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	24	28	28	32
0. PERSONAL INCOME.....	16,704	16,640	16,664	18,284	17,588	18,140	18,056	18,268

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Income Taxes.....	1,084	1,148	1,224	1,252	1,276	1,288	1,292	1,292
2. Succession Duties.....	84	68	60	72	76	68	80	68
3. Miscellaneous.....	72	72	72	72	80	72	68	68
4. Total Personal Direct Taxes.....	1,240	1,288	1,356	1,396	1,432	1,428	1,440	1,428
5. Non-Durable Goods.....	8,400	8,412	8,468	8,600	8,576	8,812	8,648	8,736
6. Durable Goods.....	1,404	1,580	1,520	1,624	1,872	1,692	1,744	1,712
7. Services <sup>1</sup> .....	4,192	4,328	4,324	4,484	4,532	4,560	4,576	4,680
8. Total Personal Expenditure on Consumer Goods and Services.....	13,996	14,320	14,312	14,708	14,980	15,064	14,968	15,128
9. Personal Saving.....	1,468	1,032	996	2,180	1,176	1,648	1,648	1,712
0. Farm Inventory Change.....	372	-28	192	416	-44	-120	-32	452
1. Personal Saving Excluding Farm Inventory Change.....	1,096	1,060	804	1,764	1,220	1,768	1,680	1,260
2. PERSONAL INCOME.....	16,704	16,640	16,664	18,284	17,588	18,140	18,056	18,268
3. (Personal Disposable Income) <sup>2</sup> .....	(15,464)	(15,352)	(15,308)	(16,888)	(16,156)	(16,712)	(16,616)	(16,840)

Footnotes:

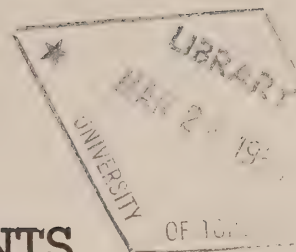
1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, UNADJUSTED  
FOR SEASONALITY  
(millions of dollars)

	1952				1953			
	I	II	III	IV	I	II	III	IV
1. Personal Expenditure on Consumer Goods and Services.....	2,728	3,069	2,983	3,461	2,950	3,260	3,081	3,549
2. (Non-Durable Goods).....	1,600	1,801	1,842	2,202	1,705	1,925	1,902	2,268
3. (Durable Goods).....	255	371	319	369	359	435	351	384
4. (Services).....	873	897	822	890	886	900	828	897
5. Government Expenditure on Goods and Services...	893	723	913	971	937	718	974	934
Gross Domestic Investment:								
6. New Residential Construction.....	102	162	181	190	154	213	243	234
7. New Non-Residential Construction.....	244	303	358	327	243	312	399	351
8. New Machinery and Equipment.....	363	475	395	382	410	461	405	337
9. Change in Inventories.....	-234	-280	1,419	-514	-138	-99	1,328	-472
10. (Business Inventories Only).....	(-22)	(32)	(65)	(-86)	(126)	(210)	(117)	(-122)
11. Exports of Goods and Services.....	1,050	1,227	1,264	1,335	1,026	1,258	1,332	1,252
12. Deduct: Imports of Goods and Services.....	-1,042	-1,243	-1,254	-1,357	-1,235	-1,456	-1,361	-1,305
13. Residual Error of Estimate.....	-19	-30	-27	-59	0	36	-57	-42
14. GROSS NATIONAL EXPENDITURE.....	4,085	4,406	6,232	4,736	4,347	4,703	6,344	4,838



CANADA



# NATIONAL ACCOUNTS INCOME AND EXPENDITURE

First Quarter

1954

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NATIONAL ACCOUNTS, INCOME AND EXPENDITURE, FIRST QUARTER 1954

(Quarterly data included in this report have been adjusted to annual totals appearing in National Accounts, Income and Expenditure, 1950-1953, to be released shortly.)

Gross National Product and Expenditure

The value of aggregate output of goods and services in the first quarter of 1954 was approximately level with that of the first quarter of last year. After allowance for seasonal factors, a small reduction in value of output of goods and services from the fourth quarter of 1953 to the first quarter of 1954 is indicated. It should be noted, however, that the seasonally adjusted data in the first quarter include a lower value of crop production, computed for the coming year on the basis of ten year average yields, and distributed evenly across the four quarters. The amount of this downward step from the fourth to first quarter is presently estimated at \$200 million (at annual rates), but this will be revised in September when the actual yield is first determined. At present, the best indicator of aggregate activity, after allowance for seasonal factors, is provided by the Gross National Product excluding accrued net income of farm operators, which reads as follows:

	<u>Seasonally Adjusted</u>				
	<u>1953</u>				<u>1954</u>
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>
\$ Billion	22.5	22.7	22.9	22.7	22.5
Increment computed from unrounded data		0.2	0.3	-0.3	-0.1

It will be apparent from the above data that the general level of economic activity reached a peak in the third quarter of 1953, and has shown small declines since that time. At present the level of activity appears to have fallen to a point approximately equal to the first quarter of a year ago.

It may be noted, however, that while the level of aggregate output was not greatly different from the first quarter of last year, shifts have occurred in the composition of total output, with declines in many of the goods producing industries being offset by an expansion of output in most service groups. This trend is also indicated by related production and employment statistics.

Total final purchases<sup>1</sup> of goods and services by the major spending groups (exclusive of inventories) have also remained at about last year's level in the first quarter comparisons, although there have been moderate shifts within the components of final demand. Consumer expenditures were higher than a year ago, by 3 per cent, with services taking the greater share of the gain. Non-durable goods purchases increased but durable goods purchases showed a sharp decline. Government expenditure on goods and services showed a reduction of 5 per cent, reflecting lower outlays for defence. There was very little change in the total of investment in durable assets relative to a year ago, although machinery and equipment purchases were off by 9 per cent. Exports of goods and services were also down, by 6 per cent, reflecting mainly declines in exports of wheat, automobiles and base metals. These developments within the major demand categories were largely offsetting, so that, on balance, a decline of less than 1/2 of 1 per cent occurred in total final purchases of goods and services (excluding inventories).

Business inventories in the first quarter of 1954 showed a smaller accumulation than a year ago. However, to the extent that a build up did occur in the first quarter of this year,

1. Equals the sum of personal expenditure, government expenditure, gross domestic investment (excluding inventories) and exports.



it was on balance more than accounted for by an increase in stocks of new automobiles; the total of other categories of business inventories showed some liquidation in the first quarter.

Imports of goods and services, which are included in the totals of final purchases enumerated above, were down in the first quarter of 1954, by 6 per cent relative to a year ago. The declines were concentrated in the fibres and textile group and the iron and steel group.

Analysis of the seasonally adjusted expenditure data indicates that a small decline in non-farm output from the fourth quarter of 1953 to the first quarter of this year is attributable mainly to a drop in the rate of construction activity<sup>1</sup>. In this connection it may be noted that fourth quarter construction activity was unusually high due to an open fall, while activity in the first quarter was adversely affected by the severe winter. Other components in which declines occurred, seasonally adjusted, were exports and the rate of business inventory accumulation, but these reductions were more than offset by other sectors.

### National Income

Wages and salaries, seasonally adjusted, showed a small drop of 1 per cent from the fourth to the first quarter, after levelling off in the last half of 1953. This drop was the first after a long period of successive gains. For the most part, the decline reflected reductions in wages and salaries paid in forestry, in durable and non-durable manufacturing industries, and in the construction industry. In the latter connection, it has already been noted that investment in new construction was smaller in the first quarter than in the fourth. The drop in the indexes of employment for each of the above industries was greater than that which usually occurs between the fourth and first quarters as a result of seasonal factors. Wages and salaries in most other industrial groups showed little change between the fourth and first quarters, but labour income in the service groups continued to expand.

It may be noted that when comparisons are made with the first quarter of last year, total wages and salaries showed a small gain of about 2 per cent, attributable almost entirely to the expansion in the service industries. At the same time, average weekly earnings were also higher in the first quarter of 1954 compared with the first quarter of 1953 in all major industrial groups, so that labour income remained high in this comparison, despite declines in employment.

The major item in investment income, corporation profits before taxes, showed a drop of about 13 per cent, from the first quarter of a year ago, with the decline spread throughout most of the industrial groups. However, judging by past seasonal performance, corporation profits showed little change between the fourth quarter of 1953 and the first quarter of 1954. Other items of investment income, including government investment income, and dividends, interest, and rents accruing to individuals showed a gain both over the first quarter of last year and between the fourth and first quarters on the seasonally adjusted basis.

Other developments on the income side in the seasonally adjusted data between the fourth and first quarters were the declines which occurred in accrued net income of farm operators and in net income of other unincorporated businesses. In the case of farm income, it has already been noted that the drop reflects the method of computing seasonally adjusted farm income on the basis of a normal yield estimate of crop production for 1954. In the case of non-farm unincorporated income, the decline is

1. The forecast of investment intentions for 1954 indicates an increase of 4 per cent for new residential construction and 7 per cent for new non-residential construction. The decline in construction activity in the first quarter appears to be due to special climatic factors and is not necessarily indicative of the trend for the year as a whole. It should be noted that the seasonal adjustment is based on average seasonal patterns of past periods. A further qualification with regard to the fourth-first drop in seasonally adjusted construction activity is that the seasonal pattern itself may be becoming more variable. However, it is difficult to adjust this pattern until the year is over.



associated mainly with a drop in net income of unincorporated retailers, although minor declines were also estimated for fishing, wholesale trade, transportation and miscellaneous services.

#### Personal Income and Expenditure

Personal income, seasonally adjusted, declined by \$428 million between the fourth quarter of 1953 and the first quarter of 1954, reflecting the drop in wages and salaries and the reductions in net income of non-farm unincorporated business and net income received by farm operators, seasonally adjusted. In connection with the farm component, it may be noted that the decline is attributable to a combination of two factors; lower participation and equalization payments by the Canadian Wheat Board, which accounted for more than one-half of the drop in farm income; and the fact that the seasonally adjusted farm data reflect an estimate of lower crop production in 1954, as noted above. Transfer payments from government, and interest, dividends, and net rental income of persons showed moderate advances from the fourth to the first quarter, seasonally adjusted.

With personal direct taxes and personal expenditure on consumer goods and services showing little change between the fourth and first quarters, the drop in personal saving of \$480 million, seasonally adjusted, reflects mainly the effect of the decline in personal income noted above. Thus personal saving was at an annual rate of \$1.9 billion in the fourth quarter and \$1.4 billion in the first quarter. With farm inventory changes removed, however, personal saving showed a much smaller decline, amounting to only \$204 million. As a proportion of personal income (ex farm inventories) personal saving (ex farm inventories) was 7.8 per cent in the fourth quarter and 6.7 per cent in the first quarter.

TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

1951					
	I	II	III	IV	YEAR
1. Wages, Salaries and Supplementary Labour Income.....	2,227	2,385	2,510	2,594	9,716
2. Military Pay and Allowances.....	41	48	54	58	201
3. Investment Income.....	866	1,012	938	826	3,642
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup>	114	387	1,380	191	2,072
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	335	385	389	398	1,507
6. NET NATIONAL INCOME AT FACTOR COST.....	3,583	4,217	5,271	4,067	17,138
7. Indirect Taxes Less Subsidies.....	592	578	648	660	2,478
8. Depreciation Allowances and Similar Business Costs.....	437	468	482	523	1,910
9. Residual Error of Estimate.....	-4	-73	-16	41	-52
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	4,608	5,190	6,385	5,291	21,474
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(4,494)	(4,803)	(5,005)	(5,100)	(19,402)

## Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

TABLE 2. GROSS NATIONAL  
(millions)

1951					
	I	II	III	IV	YEAR
1. Personal Expenditure on Consumer Goods and Services.....	3,039	3,296	3,220	3,718	13,273
2. Government Expenditure on Goods and Services <sup>1</sup> .....	719	640	953	931	3,243
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	165	222	208	186	781
4. New Non-Residential Construction.....	238	306	371	345	1,260
5. New Machinery and Equipment.....	415	495	437	422	1,769
6. Change in Inventories.....	263	513	1,247	-403	1,620
7. (Business Inventories only) <sup>3</sup> .....	(475)	(608)	(242)	(-58)	(1,267)
8. Exports of Goods and Services.....	1,024	1,209	1,416	1,440	5,089
9. Deduct: Imports of Goods and Services.....	-1,259	-1,563	-1,484	-1,307	-5,613
10. Residual Error of Estimate.....	4	72	17	-41	52
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	4,608	5,190	6,385	5,291	21,474

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

NATIONAL PRODUCT, BY QUARTERS, 1951-1954  
of dollars)

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
2,556	2,629	2,769	2,864	10,818	2,781	2,893	2,991	2,996	11,661	2,838	
60	67	69	74	270	70	77	79	83	309	84	
805	985	1,011	922	3,723	864	1,021	1,009	850	3,744	817	
135	129	1,424	170	1,858	30	106	1,323	190	1,649	69	
310	400	410	432	1,552	342	441	431	466	1,680	328	
3,866	4,210	5,683	4,462	18,221	4,087	4,538	5,833	4,585	19,043	4,136	
648	669	704	723	2,744	696	733	741	738	2,908	717	
489	523	542	574	2,128	534	575	592	635	2,336	566	
10	22	-11	71	92	4	-57	59	57	63	-44	
5,013	5,424	6,918	5,830	23,185	5,321	5,789	7,225	6,015	24,350	5,375	
(4,878)	(5,295)	(5,494)	(5,660)	(21,327)	(5,291)	(5,683)	(5,902)	(5,825)	(22,701)	(5,306)	

2. Includes net income of independent professional practitioners.

EXPENDITURE, BY QUARTERS, 1951-1954  
of dollars)

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
3,250	3,593	3,495	4,065	14,403	3,478	3,811	3,662	4,214	15,165	3,590	
1,078	856	1,090	1,180	4,204	1,158	889	1,207	1,154	4,408	1,103	
126	200	223	237	786	190	273	302	296	1,061	209	
303	381	450	420	1,554	315	417	530	464	1,726	317	
438	564	466	448	1,916	484	549	482	407	1,922	440	
-204	-190	1,107	-472	241	-121	-11	1,115	-411	572	-162	
(-24)	(12)	(14)	(-90)	(-88)	(123)	(248)	(124)	(-119)	(376)	(53)	
1,234	1,409	1,430	1,500	5,573	1,158	1,404	1,484	1,374	5,420	1,088	
-1,202	-1,368	-1,353	-1,477	-5,400	-1,337	-1,600	-1,498	-1,425	-5,860	-1,253	
-10	-21	10	-71	-92	-4	57	-59	-58	-64	43	
5,013	5,424	6,918	5,830	23,185	5,321	5,789	7,225	6,015	24,350	5,375	

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.



TABLE 3. SOURCES OF PERSONAL  
(millions)

1951					
	I	II	III	IV	YEAR
1. Wages, Salaries and Supplementary Labour Income.....	2,227	2,385	2,510	2,594	9,716
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-80	-80	-85	-84	-329
3. Military Pay and Allowances.....	41	48	54	58	201
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup>	106	384	1,332	286	2,108
5. Net Income of Non-Farm Unincorporated Business.....	335	385	389	398	1,507
6. Interest, Dividends and Net Rental Income of Persons.....	319	354	345	388	1,406
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	297	241	244	250	1,032
8. Charitable Contributions by Corporations.....	7	7	7	6	27
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	25
10. PERSONAL INCOME.....	3,258	3,730	4,802	3,903	15,693

## Footnote:

1. This item differs from line 5 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

1951					
	I	II	III	IV	YEAR
Personal Direct Taxes					
1. Income Taxes.....	179	268	209	234	890
2. Succession Duties.....	17	18	15	19	69
3. Miscellaneous.....	24	18	13	16	71
4. Total Personal Direct Taxes.....	220	304	237	269	1,030
Personal Expenditure on Consumer Goods and Services					
5. Non-Durable Goods.....	1,690	1,928	1,987	2,364	7,969
6. Durable Goods.....	394	390	299	316	1,399
7. Services <sup>1</sup> .....	955	978	934	1,038	3,905
8. Total Personal Expenditure on Consumer Goods and Services	3,039	3,296	3,220	3,718	13,273
Personal Saving					
9. Personal Saving Excluding Farm Inventory Change.....	144	182	337	373	1,036
10. Farm Inventory Change.....	-145	-52	1,008	-457	354
11. Total Personal Saving.....	-1	130	1,345	-84	1,390
12. PERSONAL INCOME.....	3,258	3,730	4,802	3,903	15,693
* 13. Personal Disposable Income <sup>2</sup> .....	(3,038)	(3,426)	(4,565)	(3,634)	(14,663)

## Footnote:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1951-1954  
of dollars)

1952					1953					1954
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I
2,556	2,629	2,769	2,864	10,818	2,781	2,893	2,991	2,996	11,661	2,838
-87	-88	-88	-94	-357	-94	-94	-97	-101	-386	-95
60	67	69	74	270	70	77	79	83	309	84
110	78	1,366	306	1,860	-6	114	1,287	221	1,616	73
310	400	410	432	1,552	342	441	431	466	1,680	328
374	404	379	409	1,566	401	432	433	423	1,689	436
380	323	333	332	1,368	428	344	344	353	1,469	467
6	8	8	8	30	7	8	8	7	30	6
6	6	6	7	25	6	7	7	8	28	7
3,715	3,827	5,252	4,338	17,132	3,935	4,222	5,483	4,456	18,096	4,144

INCOME, BY QUARTERS, 1951-1954  
of dollars)

1952					1953					1954
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I
266	332	279	300	1,177	312	381	291	303	1,287	299
21	17	15	19	72	19	17	20	17	73	17
26	19	14	15	74	27	18	12	15	72	29
313	368	308	334	1,323	358	416	323	335	1,432	345
1,864	2,038	2,079	2,494	8,475	1,910	2,131	2,141	2,543	8,725	1,975
315	448	377	434	1,574	420	507	405	446	1,778	391
1,071	1,107	1,039	1,137	4,354	1,148	1,173	1,116	1,225	4,662	1,224
3,250	3,593	3,495	4,065	14,403	3,478	3,811	3,662	4,214	15,165	3,590
320	65	410	374	1,169	368	179	616	285	1,448	382
-168	-199	1,039	-435	237	-269	-184	882	-378	51	-173
152	-134	1,449	-61	1,406	99	-5	1,498	-93	1,499	209
3,715	3,827	5,252	4,338	17,132	3,935	4,222	5,483	4,456	18,096	4,144
(3,402)	(3,459)	(4,944)	(4,004)	(15,809)	(3,577)	(3,806)	(5,160)	(4,121)	(16,664)	(3,799)

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY (millions)

	1951				YEAR
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	9,180	9,664	9,844	10,176	9,716
2. Military Pay and Allowances.....	164	192	216	232	201
3. Investment Income.....	3,844	3,872	3,416	3,436	3,642
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,936	2,632	2,004	1,716	2,072
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,604	1,460	1,476	1,488	1,507
6. NET NATIONAL INCOME AT FACTOR COST.....	16,728	17,820	16,956	17,048	17,138
7. Indirect Taxes Less Subsidies.....	2,460	2,332	2,600	2,520	2,478
8. Depreciation Allowances and Similar Business Costs.....	1,832	1,888	1,924	1,996	1,910
9. Residual Error of Estimate.....	-92	-92	-20	-4	-52
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	20,928	21,948	21,460	21,560	21,474
11. (Gross National Product at Market Prices Excluding Accrued Net Income of Farm Operators).....	(18,992)	(19,316)	(19,456)	(19,844)	(19,402)

## Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, (millions)

	1951				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	13,100	13,344	13,284	13,364	13,273
2. Government Expenditure on Goods and Services.....	2,688	3,060	3,628	3,596	3,243
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	864	792	744	724	781
4. New Non-Residential Construction.....	1,188	1,244	1,300	1,308	1,260
5. New Machinery and Equipment.....	1,700	1,744	1,800	1,832	1,769
6. Change in Inventories.....	2,164	2,780	1,196	340	1,620
7. (Business Inventories Only) <sup>3</sup> .....	(1,672)	(2,124)	(1,012)	(260)	(1,267)
8. Exports of Goods and Services.....	4,704	4,824	5,404	5,424	5,089
9. Deduct: Imports of Goods and Services.....	-5,572	-5,928	-5,916	-5,036	-5,613
10. Residual Error of Estimate.....	92	88	20	8	52
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	20,928	21,948	21,460	21,560	21,474

## Footnotes

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.



QUARTERS, 1951-1954, SEASONALLY ADJUSTED AT ANNUAL RATES  
of dollars)

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
10,536	10,624	10,860	11,252	10,818	11,408	11,672	11,728	11,836	11,661	11,700	
240	268	276	296	270	280	308	316	332	309	336	
3,600	3,712	3,704	3,876	3,723	3,888	3,856	3,688	3,544	3,744	3,624	
2,104	1,772	1,740	1,816	1,858	1,672	1,404	1,668	1,852	1,649	1,624	
1,488	1,528	1,580	1,612	1,552	1,636	1,680	1,668	1,736	1,680	1,572	
17,968	17,904	18,160	18,852	18,221	18,884	18,920	19,068	19,300	19,043	18,856	
2,696	2,656	2,824	2,800	2,744	2,844	2,940	2,984	2,864	2,908	2,924	
2,048	2,108	2,168	2,188	2,128	2,236	2,320	2,368	2,420	2,336	2,372	
120	240	44	-36	92	204	-84	196	-64	63	4	
22,832	22,908	23,196	23,804	23,185	24,168	24,096	24,616	24,520	24,350	24,156	
(20,728)	(21,136)	(21,456)	(21,988)	(21,327)	(22,496)	(22,692)	(22,948)	(22,668)	(22,701)	(22,532)	

2. Includes net income of independent professional practitioners.

1951-1954, SEASONALLY ADJUSTED AT ANNUAL RATES  
of dollars)

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
14,000	14,260	14,532	14,820	14,403	14,996	15,080	15,192	15,392	15,165	15,440	
4,148	4,140	4,132	4,396	4,204	4,460	4,320	4,568	4,284	4,408	4,268	
668	728	812	936	786	1,020	1,000	1,044	1,180	1,061	1,104	
1,504	1,516	1,576	1,620	1,554	1,588	1,660	1,864	1,792	1,726	1,584	
1,800	1,936	1,956	1,972	1,916	2,028	1,832	2,044	1,784	1,922	1,804	
348	176	192	248	241	708	612	472	496	572	356	
(-312)	(-252)	(84)	(128)	(-88)	(304)	(676)	(492)	(32)	(376)	(24)	
5,648	5,576	5,484	5,584	5,573	5,316	5,564	5,648	5,152	5,420	5,016	
-5,160	-5,184	-5,444	-5,812	-5,400	-5,740	-6,056	-6,020	-5,624	-5,860	-5,408	
-124	-240	-44	40	-92	-208	84	-196	64	-64	-8	
22,832	22,908	23,196	23,804	23,185	24,168	24,096	24,616	24,520	24,350	24,156	

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels, and farm inventories.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTER  
(millions of dollars)

	1951				YEAR
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	9,180	9,664	9,844	10,176	9,716
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-312 164	-328 192	-340 216	-336 232	-328 201
3. Military Pay and Allowances.....					
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,844	2,696	1,816	2,076	2,100
5. Net Income of Non-Farm Unincorporated Business..... <sup>2</sup>	1,604	1,460	1,476	1,488	1,507
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,328	1,372	1,428	1,496	1,400
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,008	1,016	1,024	1,080	1,032
8. Charitable Contributions by Corporations.....	28	28	28	24	28
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	24
10. PERSONAL INCOME.....	14,868	16,124	15,516	16,264	15,692

## Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTER  
(millions of dollars)

	1951				YEAR
	I	II	III	IV	
Personal Direct Taxes					
1. Income Taxes.....	772	848	936	1,004	890
2. Succession Duties.....	68	72	60	76	68
3. Miscellaneous.....	68	72	72	72	72
4. Total Personal Direct Taxes.....	908	992	1,068	1,152	1,030
Personal Expenditure on Consumer Goods and Services					
5. Non-Durable Goods.....	7,672	7,932	8,096	8,176	7,900
6. Durable Goods.....	1,672	1,564	1,236	1,124	1,390
7. Services.....	3,756	3,848	3,952	4,064	3,900
8. Total Personal Expenditure on Consumer Goods and Services....	13,100	13,344	13,284	13,364	13,290
Personal Saving					
9. Personal Saving Excluding Farm Inventory Change.....	416	1,308	632	1,788	1,000
10. Farm Inventory Change.....	444	480	532	-40	316
11. Total Personal Saving.....	860	1,788	1,164	1,748	1,316
12. PERSONAL INCOME.....	14,868	16,124	15,516	16,264	15,692
13. (Personal Disposable Income) <sup>2</sup> .....	(13,960)	(15,132)	(14,448)	(15,112)	(14,600)

## Footnotes:

1. Includes net expenditure abroad.

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
1,536	10,624	10,860	11,252	10,818	11,408	11,672	11,728	11,836	11,661	11,700	
-340	-360	-352	-376	-357	-368	-384	-388	-404	-386	-372	
240	268	276	296	270	280	308	316	332	309	336	
1,944	1,644	1,512	2,340	1,860	1,468	1,516	1,528	1,952	1,616	1,576	
1,488	1,528	1,580	1,612	1,552	1,636	1,680	1,668	1,736	1,680	1,572	
1,584	1,556	1,560	1,564	1,566	1,648	1,668	1,788	1,652	1,689	1,808	
1,288	1,360	1,400	1,424	1,368	1,452	1,452	1,448	1,524	1,469	1,588	
24	32	32	32	30	28	32	32	28	30	24	
24	24	24	28	25	24	28	28	32	28	28	
1,788	16,676	16,892	18,172	17,132	17,576	17,972	18,148	18,688	18,096	18,260	

. Includes all government debt interest paid to persons.

1952					1953					1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
1,084	1,148	1,224	1,252	1,177	1,276	1,288	1,292	1,292	1,287	1,280	
84	68	64	72	72	76	68	80	68	73	68	
76	76	76	68	74	80	72	68	68	72	84	
1,244	1,292	1,364	1,392	1,323	1,432	1,428	1,440	1,428	1,432	1,432	
8,360	8,364	8,532	8,644	8,475	8,584	8,744	8,752	8,820	8,725	8,852	
1,412	1,536	1,624	1,724	1,574	1,872	1,720	1,756	1,764	1,778	1,740	
4,228	4,360	4,376	4,452	4,354	4,540	4,616	4,684	4,808	4,662	4,848	
4,000	14,260	14,532	14,820	14,403	14,996	15,080	15,192	15,392	15,165	15,440	
1,164	1,032	764	1,716	1,169	1,164	1,572	1,640	1,416	1,448	1,212	
380	92	232	244	237	-16	-108	-124	452	51	176	
1,544	1,124	996	1,960	1,406	1,148	1,464	1,516	1,868	1,499	1,388	
1,788	16,676	16,892	18,172	17,132	17,576	17,972	18,148	18,688	18,096	18,260	
5,544	(15,384)	(15,528)	(16,780)	(15,809)	(16,144)	(16,544)	(16,708)	(17,260)	(16,664)	(16,828)	

. Personal Income Less Total Personal Direct Taxes.



TABLE 9. GROSS NATIONAL EXPENDITURE IN  
(millions of

1951					
	I	II	III	IV	YEAR
1. Personal Expenditure on Consumer Goods and Services.....	2,758	2,907	2,769	3,138	11,572
2. Non-Durable Goods.....	1,547	1,711	1,722	2,006	6,986
3. Durable Goods.....	360	339	258	270	1,227
4. Services.....	851	857	789	862	3,359
5. Government Expenditure on Goods and Services.....	626	553	803	778	2,760
Gross Domestic Investment:					
6. New Residential Construction.....	143	185	171	151	650
7. New Non-Residential Construction.....	210	262	309	280	1,061
8. New Machinery and Equipment.....	363	419	364	348	1,494
9. Change in Inventories.....	-	277	1,332	-553	1,056
10. (Business Inventories Only).....	(215)	(403)	(167)	(-120)	(665)
11. Exports of Goods and Services.....	917	1,054	1,212	1,223	4,406
12. Deduct Imports of Goods and Services.....	-1,077	-1,281	-1,237	-1,110	-4,705
13. Residual Error of Estimate.....	3	63	14	-34	46
14. GROSS NATIONAL EXPENDITURE.....	3,943	4,439	5,737	4,221	18,340

## Footnote:

1. See footnotes, Table 2.

(1949) CONSTANT DOLLARS, BY QUARTERS, UNADJUSTED FOR SEASONALITY<sup>1</sup>  
dollars)

1952				1953						1954	
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	
2,745	3,074	2,980	3,480	12,279	2,973	3,283	3,111	3,583	12,950	3,035	
1,595	1,783	1,821	2,200	7,399	1,706	1,926	1,910	2,269	7,811	1,773	
265	388	331	382	1,366	367	445	356	394	1,562	345	
885	903	828	898	3,514	900	912	845	920	3,577	917	
883	705	891	953	3,432	921	701	955	902	3,479	845	
102	162	181	190	635	152	217	240	236	845	166	
240	303	356	324	1,223	239	316	403	351	1,309	235	
363	472	395	380	1,610	408	460	401	337	1,606	366	
-222	-236	1,388	-483	447	-146	-106	1,272	-422	598	-180	
(6)	(59)	(46)	(-67)	(44)	(120)	(200)	(64)	(-78)	(306)	(75)	
1,046	1,220	1,264	1,333	4,863	1,020	1,251	1,337	1,257	4,865	993	
-1,041	-1,238	-1,252	-1,351	-4,882	-1,224	-1,445	-1,367	-1,291	-5,327	-1,143	
-8	-18	8	-59	-77	-3	47	-48	-48	-52	35	
4,108	4,444	6,211	4,767	19,530	4,340	4,724	6,304	4,905	20,273	4,352	







CANADA

# NATIONAL ACCOUNTS INCOME AND EXPENDITURE

Second Quarter

1954



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Gross National Product remained steady in the second quarter of 1954, at a seasonally adjusted annual rate of \$23.9 billion. The minor declines in production of the two preceding quarters were not resumed. The level of aggregate output was thus unchanged from the first quarter of 1954 but was almost 2 per cent below last year's annual average of \$24.3 billion. This decline from last year reflects a substantially lower value of crop production which is now estimated to be \$400 million below a year ago<sup>1</sup>.

In the non-farm sector of the economy, changes in the general level of economic activity are closely approximated<sup>2</sup> by the figures of Gross National Product excluding accrued net income of farm operators given below:

	<u>Seasonally Adjusted Annual Rates</u> (rounded in billions)					
	\$					
	1953				1954	
	I	II	III	IV	I	II
Gross National Product (excluding accrued net income of farm operators)...	22.5	22.7	22.9	22.7	22.5	22.6
Change (computed from unrounded data).....		+0.2	+0.3	-0.3	-0.1	+0.1

From the above figures, it appears that the recent declines in total non-agricultural production were halted in the second quarter and that a small increase occurred. Related indicators show that production in durable goods manufacturing, construction, and transportation, communication and storage continued to move downward in the second quarter, following the trends which began in 1953. Declines in these groups, however, were offset by gains in the service industries (except transportation) and in the non-durable goods producing industries, except clothing. In manufacturing, the major declines in durable goods production from the first to second quarter occurred in transportation equipment, electrical apparatus and supplies, and iron and steel products. The transportation, communication and storage group was affected by declines in shipments of grains, motor vehicles and farm implements.

Compared with the second quarter of last year, the value of Gross National Product excluding accrued net income of farm operators has shown no change. This evenness with a year ago is equally apparent in the six months over six months comparison. During this period, both the price and volume components of non-farm production remained relatively stable. However, as indicated in the first quarter report, shifts have occurred in the composition of non-farm output since last year, with declines in many of the goods producing industries (particularly manufacturing and construction) being offset by an expansion in most service groups, with the notable exception of transportation, communication and storage.

Persons without jobs and seeking work in the second quarter of 1954 constituted 4.4 per cent of the total labour force, compared with 2.3 per cent in the second quarter of 1953. The number of paid workers with jobs showed a decline of 1 per cent from a year ago. However, higher average hourly rates more than offset declines in total employment and in average hours worked so that labour income in the second quarter showed a small increase over last year. With gains also occurring in other elements of personal income, the purchasing power of the personal sector was maintained at a high level in the second quarter of 1954. Personal disposable income was, in fact, more than 5 per cent above the second quarter of a year ago, despite the relative stability of total production.

### Wages and Salaries

Seasonally adjusted, the labour income data show a rise of 1 per cent from the first to the second quarter of 1954, resuming their upward movement after the small decline which occurred in the first quarter. Most groups showed gains from the first to second quarter, but manufacturing and transportation, communication and storage showed a further small decline.

Compared with a year ago, wages, salaries and supplementary labour income rose moderately in the second quarter, by about 1 per cent. This small increase was almost entirely ascribable to gains in the service groups, with the exception of transportation, communication and storage. In the goods sector, wages and salaries paid in manufacturing and construction were down by 2.4 per cent and 4.5 per cent respectively from a year ago.

Within the manufacturing group, wages and salaries in the durable goods producing sectors such as iron and steel and transportation equipment showed declines from a year ago, which were only partly offset

1. This revised estimate is based on latest available information on expected crop yields. In the seasonally adjusted figures of G.N.P., the estimated value of crop production is distributed evenly across the four quarters of the year.
2. The figures are only approximately representative of movements in the non-farm sector since they include a number of small and stable components of G.N.P. originating in agriculture, e.g. wages, interest, rents and depreciation.



by gains in other manufacturing industries.

As has been indicated, the rise in average hourly earnings accounted for the gains in total labour income over a year ago. For example, the increase in average hourly earnings in non-durable goods manufacturing amounted to 6.4 per cent, and in durable goods manufacturing, to 3.6 per cent; in construction and mining, the gains were 4.6 per cent and 2.8 per cent, respectively.

#### Investment Income

Although investment income in the second quarter of this year was about 7 per cent below the same quarter of a year ago, the seasonally adjusted data indicate that little change has taken place for three consecutive quarters.

The major component of investment income, corporation profits before taxes, was substantially lower than a year ago, but other components showed gains which partially offset this decline. The exception was government trading profits, which showed a decrease from the second quarter of last year.

In the seasonally adjusted data, it would appear that durable manufacturing profits fell further from the first to the second quarter, but these declines were approximately balanced by gains in other groups.

#### Net Income of Unincorporated Business

Seasonally adjusted, accrued net income of farm operators from farm production in the second quarter was more than 20 per cent below last year's annual average. This decline reflects the method of seasonally adjusting grain production on the basis of anticipated crop yields (see footnote 1, page 1); the value of the 1954 crop is estimated to be considerably below that of 1953. It may be noted, however, that in the unadjusted data, accrued net income of farm operators shows a gain over the second quarter of a year ago, partly attributable to increases in the production and prices of hogs.

Net income of non-farm unincorporated business was down about 6 per cent from a year ago in the second quarter, with the major declines showing up in wholesale and retail trade. In the seasonally adjusted data, no change is shown for net income of non-farm unincorporated business between the first and second quarters of 1954.

#### The Pattern of Demand

Total final purchases of goods and services, home produced and imported, (but excluding inventories)<sup>1</sup> were slightly lower in the second quarter of 1954 than a year earlier. Declines occurred in government expenditures, non-residential construction, machinery and equipment, and exports. These declines were only partly offset by a substantial increase in personal expenditure on consumer goods and services, with the result that total final purchases (excluding inventories) fell by about 1 per cent.

This relatively minor drop in final purchases of goods and services from a year ago was accompanied by much smaller business inventory accumulation in the second quarter (partly offset by smaller net withdrawals from stocks of grain in commercial channels and farm inventories). Nevertheless, Canadian production as measured by Gross National Expenditure, remained stable relative to a year ago, since imports fell sharply (by 11 per cent)<sup>2</sup>, more than offsetting the total decline in final purchases and inventory change.

1. That is, the sum of personal expenditure, government expenditure, gross domestic investment (excluding inventories) and exports.

2. The second quarter import figure as reported in the quarterly estimates of the Canadian Balance of International Payments has been reduced by \$30 million to take account of a discrepancy arising from a change in statistical procedure recently introduced in the International Trade Division. The exact size of the discrepancy is not known, but it is believed to be of the order of some \$40 million; this amount was deducted from the second quarter and an amount of \$10 million is being added back to each of the four quarters of 1954. Without this adjustment, the decline in imports indicated above would be somewhat smaller.

	Change II Q.'53 to II Q.'54 (\$ millions)	Change II Q.'53 to II Q.'54 (Percentage)
Personal Expenditure	+119	+3.1
Government Expenditure	-22	-2.5
New Residential Construction	+5	+1.8
New Non-Residential Construction	-24	-5.8
New Machinery and Equipment	-25	-4.6
Exports of Goods and Services	-126	-9.0
Sub-total	-73	-1.0
Change in Inventories - total (Business Inventories Only)	-60 (-213)	..... .....
Imports of Goods and Services	-(-169)	-(-10.6)
Residual Error	+12	.....
Gross National Expenditure	+48	+0.8

#### Personal Expenditure on Consumer Goods and Services

Turning to a review of the major expenditure components in more detail, the table above shows that consumer outlays provided the chief source of strength on the demand side in the second quarter, with a gain of 3.1 per cent over last year<sup>1</sup>. This gain was made up of an increase of 1.4 per cent in the consumption of goods and an increase of 6.8 per cent in the consumption of services. Higher rents accounted for a substantial portion of the gain in outlay for services, but gains were also registered for personal care, household operations and utilities, medical care, education and recreation.

Purchases of consumer durable goods in the second quarter were 6.9 per cent below last year's level, reflecting a decline in retail sales of new automobiles (off 10.2 per cent), appliances and radios, and furniture. It is interesting to note that the unit volume of shipments of refrigerators and washing machines declined 9 per cent and 11 per cent, respectively, during the period, and that the dollar volume of shipments of radios was down by 41 per cent. At the same time, comparison of the unit volume of imports of many of these goods show even greater declines<sup>2</sup>. Imports of passenger cars, refrigerators and washing machines fell by 30 per cent, 53 per cent and 33 per cent, respectively, in the quarter over quarter comparisons. In the seasonally adjusted data, sales of durable goods declined by 6.9 per cent from the first to the second quarter of 1954, reflecting in large part a drop in sales of new automobiles.

The declines in durable goods sales from the second quarter of last year were more than offset by a gain of 3.5 per cent in purchases of non-durable goods. Purchases of food, and tobacco and alcoholic beverages showed marked increases. Clothing showed little change, but gains were registered in a number of other non-durable goods components. In the seasonally adjusted data, total non-durable goods consumption rose by 2.5 per cent from the first to second quarter, continuing the upward trend of the past three years.

#### Government Expenditure on Goods and Services

Government expenditures for goods and services (federal, provincial and municipal) were 2.5 per cent below the second quarter of 1953. The decline represented a combination of smaller defence outlays, offset in part by increases for non-defence purposes. In the first half of 1954, federal defence outlays (on the National Accounts basis) have been approximately 10 per cent below the level of the first six months of 1953, although increases have occurred in military pay and allowances.

#### New Residential and Non-Residential Construction

Private investment in new residential construction in the second quarter was about 2 per cent above the level of last year. Seasonally adjusted, the figures show a decline from the first to second quarter of 1954 of about 9 per cent. This drop appears to be related to unusually low activity in June; available July data indicate a marked upturn in housing starts and completions.

Private non-residential construction in the second quarter was 6 per cent below last year. The major part of this decline is related to non-residential building construction, with only a small decline shown for private engineering construction. Seasonally adjusted, the data show a small drop between the first and second quarter.

1. Consumption outlays were also the main source of strength in the first to second quarter movements of the seasonally adjusted gross national expenditure.

2. The comparison here is limited to April and May in both 1953 and 1954.



### New Machinery and Equipment

Private investment in machinery and equipment was 4.5 per cent down from the same quarter of last year. This decline was associated with a falling off of sales to business of commercial and passenger vehicles, agricultural implements, and a drop in imports of machinery and equipment.

The seasonally adjusted figures show little change from the first quarter.

### Change in Inventories

Total inventory holdings declined slightly in the second quarter, reflecting the drawing down of stocks of farm inventories and grain in commercial channels. However, these withdrawals were substantially less than a year ago, and were associated with the world grain situation. Net additions to stocks of business inventories were very small in the second quarter, and occurred mainly at the wholesale level. Seasonally adjusted, business inventories showed some liquidation in the second quarter, compared with a moderate build-up in the first quarter. The second quarter depletions were associated to a very large extent with the working off of inventory stocks of transportation equipment and primary iron and steel products. At the same time, retail holdings of new automobiles remained approximately level in the second quarter compared with a fairly heavy accumulation in the first quarter.

It is interesting to note that since the second quarter peak of 1953 when additions to business inventory stocks were at a seasonally adjusted annual rate of \$676 million, there has been a fairly steady decline in the rate of accumulation. Thus, the reversal from a position of net accumulation to one of net liquidation between the second quarters of 1953 and 1954 was equivalent to about 3 per cent of Gross National Product. It appears that domestic production was less affected by this reversal than is suggested by the inventory figures, to the extent that part of the inventory decline was met through reduced imports.

### Exports and Imports of Goods and Services

Exports of goods and services were 9 per cent below a year ago in the second quarter of 1954, reflecting largely a sharp decline in the volume of wheat sold abroad and also, in part, a lower level of business activity in the United States. As noted above, withdrawals of stocks from farm inventories and grain in commercial channels were quite small in the second quarter of 1954 compared with a year ago, a development associated with the world grain position. Seasonally adjusted, the export figures show a small upturn from the first to second quarter, after declining in the two preceding quarters.

Imports of goods and services<sup>1</sup> were down from the second quarter of last year, with declines fairly widespread throughout the various commodity groups; among the groups affected were fibres, textiles, farm implements and machinery, and automobiles and parts. The decline in total imports reflects, to some extent, reduced levels of activity in certain industries such as durable goods manufacturing and textiles, a lower rate of business inventory accumulation compared with a year ago, and possibly the effects of a shift in the composition of total output from goods producing industries to the service industries. There was little change in the seasonally adjusted figures of imports between the first and second quarters.

These developments together with the various transactions on non-merchandise account resulted in a deficit on current account in the second quarter of 1954, amounting to more than \$150 million.

### Personal Income and Expenditure

Personal income in the second quarter of 1954 was 4 per cent over the corresponding period of a year ago, despite the relative stability of production. Higher labour income, government transfer payments, and interest, dividends and net rental income of persons accounted for the major share of this increase; net income received by farm operators was also up. As was noted previously, the increase in labour income is attributable to the rise in average hourly earnings over a year ago; higher unemployment insurance benefits account for the major part of the gain in government transfer payments, and an increase in bank deposit interest and in rents for the gain in interest, dividends and net rental income of persons.

With personal direct taxes at a level approximately 7 per cent below a year ago (reflecting the reduction in personal income tax rates effective July 1, 1953), personal disposable income was 5.4 per cent higher in the second quarter of 1954. Personal expenditure on consumer goods and services showed an increase of 3 per cent over last year, leaving personal saving at a level somewhat higher than a year ago.

At seasonally adjusted annual rates, personal saving amounted to \$1,204 million in the second quarter of 1954, or 7.2 per cent of personal disposable income. Thus personal saving showed little change from the first quarter of 1954, both as to level and as a proportion of personal disposable income.

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1. See footnote 2, on page 2.





TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income..	2,781	2,893	2,991	2,996	11,661	2,838	2,929
2. Military Pay and Allowances.....	70	77	79	83	309	84	92
3. Investment Income.....	864	1,021	1,009	850	3,744	811	954
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	30	106	1,323	190	1,649	66	171
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	342	441	431	466	1,680	328	414
6. NET NATIONAL INCOME AT FACTOR COST.....	4,087	4,538	5,833	4,585	19,043	4,127	4,560
7. Indirect Taxes less Subsidies.....	696	733	741	738	2,908	716	728
8. Depreciation Allowances and Similar Business Costs	534	575	592	635	2,336	566	619
9. Residual Error of Estimate.....	4	-57	59	57	63	-44	-70
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,321	5,789	7,225	6,015	24,350	5,365	5,837
11. (Gross National Product at Market Prices exclud- ing Accrued Net Income of Farm Operators).....	(5,291)	(5,683)	(5,902)	(5,825)	(22,701)	(5,299)	(5,663)

## Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	3,478	3,811	3,662	4,214	15,165	3,579	3,930
2. Government Expenditure on Goods and Services <sup>1,4</sup> ..	1,158	889	1,207	1,154	4,408	1,106	867
Gross Domestic Investment: <sup>2</sup>							
3. New Residential Construction.....	190	273	302	296	1,061	209	278
4. New Non-Residential Construction.....	315	417	530	464	1,726	317	393
5. New Machinery and Equipment.....	484	549	482	407	1,922	444	524
6. Change in Inventories.....	-121	-11	1,115	-411	572	-150	-71
7. (Business Inventories only) <sup>3</sup> .....	(123)	(248)	(124)	(-119)	(376)	(88)	(35)
8. Exports of Goods and Services.....	1,158	1,404	1,484	1,374	5,420	1,081	1,278
9. Deduct: Imports of Goods and Services.....	-1,337	-1,600	-1,498	-1,425	-5,860	-1,265	-1,431
10. Residual Error of Estimate.....	-4	57	-59	-58	-64	44	69
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,321	5,789	7,225	6,015	24,350	5,365	5,837

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1953					1954	
I	II	III	IV	Year	I	II
589	400	455	465	1,909	530	360

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income..	2,781	2,893	2,991	2,996	11,661	2,838	2,929
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-94	-94	-97	-101	-386	-95	-97
3. Military Pay and Allowances.....	70	77	79	83	309	84	92
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-6	114	1,287	221	1,616	62	175
5. Net Income of Non-Farm Unincorporated Business...	342	441	431	466	1,680	328	414
6. Interest, Dividends and Net Rental Income of Persons.....	401	432	433	423	1,689	435	488
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	428	344	344	353	1,469	468	381
8. Charitable Contributions by Corporations.....	7	8	8	7	30	6	7
9. Net Bad Debt Losses of Corporations.....	6	7	7	8	28	7	7
10. PERSONAL INCOME.....	3,935	4,222	5,483	4,456	18,096	4,133	4,396

## Footnote:

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
(millions of dollars)

1953						1954	
	I	II	III	IV	Year	I	II
Personal Direct Taxes:							
1. Income Taxes.....	312	381	291	303	1,287	299	352
2. Succession Duties.....	19	17	20	17	73	17	17
3. Miscellaneous.....	27	18	12	15	72	24	16
4. Total Personal Direct Taxes.....	358	416	323	335	1,432	340	385
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	1,910	2,131	2,141	2,543	8,725	1,972	2,205
6. Durable Goods.....	420	507	405	446	1,778	391	472
7. Services <sup>1</sup> .....	1,148	1,173	1,116	1,225	4,662	1,216	1,253
8. Total Personal Expenditure on Consumer Goods and Services.....	3,478	3,811	3,662	4,214	15,165	3,579	3,930
Personal Saving:							
9. Personal Saving Excluding Farm Inventory Change	368	179	616	285	1,448	410	153
10. Farm Inventory Change.....	-269	-184	882	-378	51	-196	-72
11. Total Personal Saving.....	99	-5	1,498	-93	1,499	214	81
12. PERSONAL INCOME.....	3,935	4,222	5,483	4,456	18,096	4,133	4,396
13. (Personal Disposable Income) <sup>2</sup> .....	(3,577)	(3,806)	(5,160)	(4,121)	(16,664)	(3,793)	(4,011)

## Footnotes:

1. Includes net expenditure abroad.  
2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income..	11,408	11,672	11,728	11,836	11,661	11,700	11,816
2. Military Pay and Allowances.....	280	308	316	332	309	336	368
3. Investment Income.....	3,888	3,856	3,688	3,544	3,744	3,604	3,668
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production.....	1,672	1,404	1,668	1,852	1,649	1,408	1,280
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	1,636	1,680	1,668	1,736	1,680	1,572	1,576
6. NET NATIONAL INCOME AT FACTOR COST.....	18,884	18,920	19,068	19,300	19,043	18,620	18,708
7. Indirect Taxes less Subsidies.....	2,844	2,940	2,984	2,864	2,908	2,916	2,920
8. Depreciation Allowances and Similar Business Costs	2,236	2,320	2,368	2,420	2,336	2,372	2,492
9. Residual Error of Estimate.....	204	-84	196	-64	63	20	-196
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	24,168	24,096	24,616	24,520	24,350	23,928	23,924
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,496)	(22,692)	(22,948)	(22,668)	(22,701)	(22,520)	(22,644)

## Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services	14,996	15,080	15,192	15,392	15,165	15,396	15,624
2. Government Expenditure on Goods and Services <sup>1</sup> ....	4,460	4,320	4,568	4,284	4,408	4,288	4,200
Gross Domestic Investment <sup>2</sup>							
3. New Residential Construction.....	1,020	1,000	1,044	1,180	1,061	1,104	1,000
4. New Non-Residential Construction.....	1,588	1,660	1,864	1,792	1,726	1,584	1,552
5. New Machinery and Equipment.....	2,028	1,832	2,044	1,784	1,922	1,820	1,804
6. Change in Inventories.....	708	612	472	496	572	224	-104
7. (Business Inventories only) <sup>3</sup> .....	(304)	(676)	(492)	(32)	(376)	(164)	(-172)
8. Exports of Goods and Services.....	5,316	5,564	5,648	5,152	5,420	4,988	5,068
9. Deduct: Imports of Goods and Services.....	-5,740	-6,056	-6,020	-5,624	-5,860	-5,452	-5,420
10. Residual Error of Estimate.....	-208	84	-196	64	-64	-24	200
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	24,168	24,096	24,616	24,520	24,350	23,928	23,924

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excludes grain in commercial channels, and farm inventories.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income..	11,408	11,672	11,728	11,836	11,661	11,700	11,816
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-368	-384	-388	-404	-386	-372	-396
3. Military Pay and Allowances.....	280	308	316	332	309	336	368
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,468	1,516	1,528	1,952	1,616	1,356	1,264
5. Net Income of Non-Farm Unincorporated Business...	1,636	1,680	1,668	1,736	1,680	1,572	1,576
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,648	1,668	1,788	1,652	1,689	1,804	1,884
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	1,452	1,452	1,448	1,524	1,469	1,588	1,608
8. Charitable Contributions by Corporations.....	28	32	32	28	30	24	28
9. Net Bad Debt Losses of Corporations.....	24	28	28	32	28	28	28
10. PERSONAL INCOME.....	17,576	17,972	18,148	18,688	18,096	18,036	18,176

## Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
Personal Direct Taxes:							
1. Income Taxes.....	1,276	1,288	1,292	1,292	1,287	1,236	1,216
2. Succession Duties.....	76	68	80	68	73	68	68
3. Miscellaneous.....	80	72	68	68	72	84	64
4. Total Personal Direct Taxes.....	1,432	1,428	1,440	1,428	1,432	1,388	1,348
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	8,584	8,744	8,752	8,820	8,725	8,832	9,048
6. Durable Goods.....	1,872	1,720	1,756	1,764	1,778	1,740	1,620
7. Services <sup>1</sup> .....	4,540	4,616	4,684	4,808	4,662	4,824	4,956
8. Total Personal Expenditure on Consumer Goods and Services.....	14,996	15,080	15,192	15,392	15,165	15,396	15,624
Personal Saving:							
9. Personal Saving Excluding Farm Inventory Change	1,164	1,572	1,640	1,416	1,448	1,348	1,344
10. Farm Inventory Change.....	-16	-108	-124	452	51	-96	-140
11. Total Personal Saving.....	1,148	1,464	1,516	1,868	1,499	1,252	1,204
12. PERSONAL INCOME.....	17,576	17,972	18,148	18,688	18,096	18,036	18,176
13. (Personal Disposable Income) <sup>2</sup> .....	(16,144)	(16,544)	(16,708)	(17,260)	(16,664)	(16,648)	(16,828)

## Footnotes:

1. Includes net expenditure abroad.
2. Personal Income Less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS,  
UNADJUSTED FOR SEASONALITY<sup>1</sup>  
(millions of dollars)

	1953				Year	1954	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	2,973	3,283	3,111	3,583	12,950	3,028	3,322
2. Non-Durable Goods.....	1,706	1,926	1,910	2,269	7,811	1,772	1,988
3. Durable Goods.....	367	445	356	394	1,562	345	415
4. Services.....	900	912	845	920	3,577	911	919
5. Government Expenditure on Goods and Services.	921	701	955	902	3,479	845	653
Gross Domestic Investment:							
6. New Residential Construction.....	152	217	240	236	845	166	222
7. New Non-Residential Construction.....	239	316	403	351	1,309	236	297
8. New Machinery and Equipment.....	408	460	401	337	1,606	369	433
9. Change in Inventories.....	-146	-106	1,272	-422	598	-170	-138
10. (Business Inventories only).....	(120)	(200)	(64)	(-78)	(306)	(104)	(27)
11. Exports of Goods and Services.....	1,020	1,251	1,337	1,257	4,865	986	1,157
12. Deduct: Imports of Goods and Services.....	-1,224	-1,445	-1,367	-1,291	-5,327	-1,154	-1,288
13. Residual Error of Estimate.....	-3	47	-48	-48	-52	36	57
14. GROSS NATIONAL EXPENDITURE.....	4,340	4,724	6,304	4,905	20,273	4,342	4,715

Footnote:

1. See footnotes, Table 2.





NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
Third Quarter  
1954

*Published by Authority of*  
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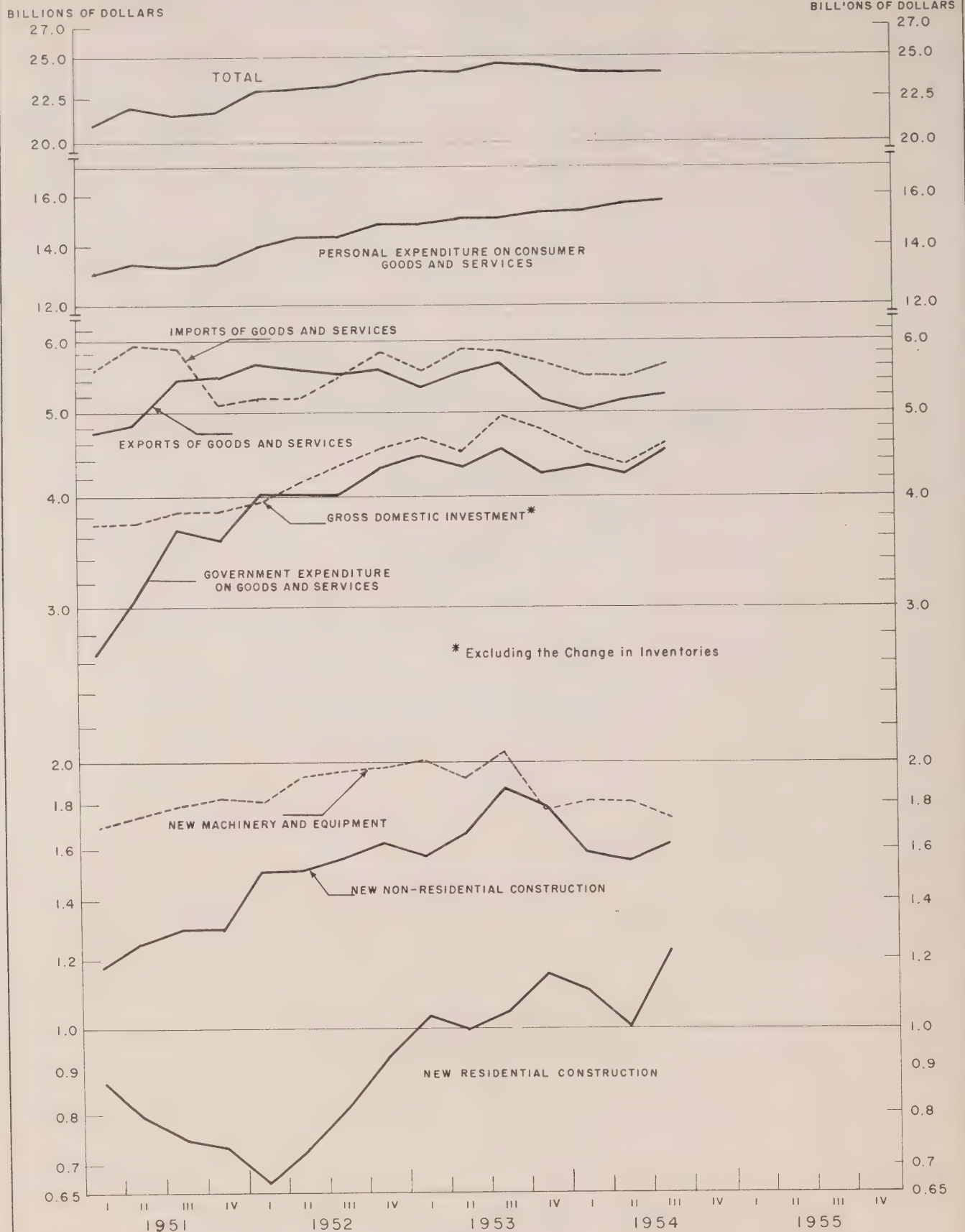
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# GROSS NATIONAL EXPENDITURE

## SEASONALLY ADJUSTED AT ANNUAL RATES



NATIONAL ACCOUNTS, INCOME AND EXPENDITURE, THIRD QUARTER 1954

Gross National Product has again remained steady in the third quarter of 1954, approximately unchanged from the average seasonally adjusted annual rate of \$23.8 billion in the first and second quarters. Aggregate output is thus running at a level approximately 2 per cent below last year's average of \$24.3 billion. This decline from last year reflects the sharp drop in the value of crop production<sup>1</sup>, which is estimated to be about \$500 million lower than in 1953. The continuing stability of total output at this lower level is attributable to the fact that no further declines have occurred in the value of non-farm production since the minor down-turn of last fall and winter. Average non-farm production in the first three quarters of 1954 was approximately the same as a year ago, as indicated by the figures<sup>2</sup> below:

Seasonally Adjusted Annual Rates  
(rounded in billions of dollars)

	1 9 5 3				1 9 5 4			
	I	II	III	IV	I	II	III	
Gross National Product (excluding								
accrued net income of farm operators <sup>2</sup> )..	22.5	22.7	22.9	22.7	22.6	22.7	22.7	
Change (computed from unrounded data)....	+0.2	+0.3	-0.3	-0.1	+0.1	-	-	

With the crop out-turn now known and data covering three quarters of the year's activity in the non-farm sector available, it is possible to suggest some order of magnitude for the year 1954 as a whole. On the basis of present evidence, it seems likely that Gross National Product in 1954 will be about 2 per cent lower than last year's figure of \$24,350 million.

While stability in aggregate production has been a major characteristic of the year 1954, marked changes have occurred within the broad total of output relative to a year ago, and these have tended to be offsetting. Manufacturing production has fallen in the first nine months of 1954, with declines being concentrated in the durable goods producing industries including iron and steel products, transportation equipment, and electrical apparatus and supplies. It is notable that substantial inventory liquidations have recently occurred in each of these three groups, and that some strengthening in the production of durable goods appeared to be underway in the third quarter of this year. Production of non-durable manufactured goods has also continued to run slightly below last year's levels in the first nine months, reflecting mainly the drop in clothing and textile production; output in these latter two groups was also showing a tendency to strengthen in the third quarter. Production in most other non-durable goods industries in the first nine months of 1954 was maintained well above the levels of a year ago.

Outside the manufacturing field, production gains have occurred in all primary industries except agriculture, and in all service industries except transportation, communication and storage. While output in the construction industry has been running somewhat below the first nine months of last year, there was a considerable improvement from the second to the third quarter.

Aggregate demand, apart from inventory investment, has been well sustained in the first nine months of 1954 and the flow of final purchases of goods and services to consumers, governments, businesses and foreign countries has shown only a small drop in total, amounting to less than 1 per cent. (See table on page 3.) This development reflects mainly the continued rise in consumer expenditures throughout 1954, and also, in part, the increase in outlays for new housing; the combined increase in housing and consumer expenditure has largely offset the declines in government expenditure, business investment in durable assets and exports. Last year's substantial business inventory accumulation was reversed in the first nine months of 1954 and a considerable liquidation of inventories took place (after allowing for seasonal factors). The effect of this

1. In the seasonally adjusted figures of Gross National Product given in this report, the estimated value of crop production is distributed evenly across the four calendar quarters of the year. The previously published first and second quarter figures of Gross National Product have been revised downward by an amount, in each case, of \$150 million at annual rates, in the light of November 1 crop estimates.

2. It may be noted that these figures are only approximately representative of movements in the non-farm sector since they include a number of small and stable components of G.N.P. originating in agriculture e.g. wages, interest, rents and depreciation.



development on Canadian output has been mitigated to the extent that it appears to have been associated with the reduction in imports. As a result of all of the above factors taken together, the value of Canadian production, apart from the farm sector, has shown little change in total from a year ago in the first nine months of 1954. With prices about 1 per cent above 1953, a slight decline has occurred in the volume of non-farm output.

Persons without jobs and seeking work in the third quarter of 1954 constituted 4.1 per cent of the total of paid workers<sup>1</sup>, compared with 2.1 per cent in the third quarter of 1953. The number of paid workers with jobs showed a decline of 1 per cent from a year ago. As in preceding quarters, higher average hourly rates more than offset declines in total employment and in average hours worked so that labour income in the third quarter showed an increase of about 2 per cent over last year. Gains have also occurred in other elements of personal income, and these have contributed to the maintenance of a high level of purchasing power in the personal sector of the economy. The lower level of farm income has, of course, affected the level of personal income in the third quarter of 1954, but with this removed, personal disposable income has remained at a level almost 4 per cent above the third quarter of last year. This gain is quite striking in view of the fact that employment in the non-farm sector has continued to be somewhat below last year's level and total non-farm production has remained stable.

### Wages and Salaries

Wages, salaries and supplementary labour income, seasonally adjusted, rose again in the third quarter of 1954, to a level approximately 1 per cent above last year's fourth quarter peak. The increase from the second to third quarter of this year was shared by all groups except manufacturing, which declined slightly. Despite the general advance in the third quarter, wages and salaries in construction, transportation, communication and storage, as well as in manufacturing, were running somewhat below last year's levels. The major increases over a year ago have been in the service industries (except transportation, communication and storage) and in the primary goods producing industries.

The decline of 3 per cent in wages and salaries in manufacturing from last year's third quarter is related primarily to developments in industries producing textiles and clothing, iron and steel products, and transportation equipment. However, as noted previously, there has been a recent strengthening in the production of some types of durable goods and of clothing and textile products. Wages and salaries in forestry have risen steadily since the first quarter of this year in response to renewed domestic and export demand for wood products.

As has been indicated, the rise in average hourly earnings more than accounted for the gains in total labour income over the third quarter of last year. The increase in average hourly earnings in non-durable goods manufacturing amounted to 5 per cent, and in durable goods manufacturing to 3 per cent; in construction and mining, the gain was 2 per cent.

### Investment Income

Investment income, which includes corporation profits, interest and rents, showed no change between the second and third quarters of 1954, seasonally adjusted, though the level was slightly below a year ago. Stability in the third quarter reflected a steadiness in profits, with offsetting movements occurring in other components. The decline from a year ago was mainly attributable to a lower level of corporation profits, and was spread rather widely throughout the various industrial groups. Most other elements of investment income showed increases over a year ago, with pronounced gains occurring in the rent component; the latter reflected primarily an increase in average rents, and also the growth in the number of housing units. Government investment income was below a year ago in the third quarter, accounted for mainly by a deficit of the Canadian National Railways.

### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production, seasonally adjusted, was estimated at \$1,040 million in the third quarter of 1954. This is approximately 37 per cent below last year's annual level

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1. For purposes of this comparison, persons without jobs and seeking work have been added to the total of paid workers with jobs.

of \$1,649 million, and is mainly attributable to the sharp drop in the value of grain production in the Western provinces. Calculations based on the November 1st crop estimate indicate that the value of crop production (net of feed, seed and waste) in 1954 will be approximately \$500 million below the 1953 level. This development is attributable to greatly reduced physical output and lower quality which has resulted in lower prices. Cash income from the sale of farm products in the third quarter, however, declined less sharply, partly reflecting the fact that the reduced value of the crop has to a considerable extent been accounted for by lower inventory accumulation. At the same time, cash income from the sale of farm products other than grain was about 7 per cent above last year.

Net income of non-farm unincorporated business was about 4 per cent below a year ago in the third quarter, but was relatively unchanged in the first three quarters of 1954, if allowance is made for seasonal factors.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies, seasonally adjusted, were down slightly in the third quarter, and were running at a level approximately 3 per cent below a year ago. The major declines occurred in customs import duties, associated with the fall-off in commodity imports, and in sales and excise taxes, reflecting in part lower shipments from manufacturers of certain types of taxable goods; changes in tax rates introduced in the April, 1954 Budget were also a contributing factor in the latter decline. These declines from a year ago were only partly offset by increases in municipal real and personal property taxes and by gains in provincial sales taxes.

#### The Pattern of Demand

As has been noted, consumer expenditures and investment in new residential construction have been the two important sustaining forces on the demand side in the first nine months of 1954. All other major expenditure categories have shown declines relative to a year ago, as the accompanying table indicates. The third quarter of 1954, however, witnessed a strengthening in a number of the expenditure categories which had previously been showing declines; government expenditure, investment in new non-residential construction, and exports were all higher in the third quarter than in the second, on the seasonally adjusted basis. These gains, together with the increases in housing and consumer outlays in the third quarter, have approximately offset the accelerated rate of inventory liquidation represented by depletions of business stocks and lower than seasonal additions to grain stocks. On balance, the above developments and other minor changes have left Gross National Expenditure, seasonally adjusted, approximately unchanged from the second quarter.

	9 months 1953 S.A.A.R. (\$ millions)	9 months 1954 S.A.A.R. (\$ millions)	Percentage Change	Increase or Decrease II Q. to III Q. 1954 S.A.A.R. (\$ millions)
Personal Expenditure	15,089	15,556	+3.1	+156
Government Expenditure	4,449	4,371	-1.8	+268
New Residential Construction	1,021	1,109	+8.6	+224
New Non-Residential Construction	1,704	1,585	-7.0	+68
New Machinery and Equipment	1,968	1,788	-9.1	-64
Exports of Goods and Services	5,509	5,128	-6.9	+48
Sub-total	29,740	29,537	-0.7	700
Change in Inventories - total	597	-359		-616
(Business Inventories Only)	(491)	(-169)		(-356)
Imports of Goods and Services	-5,937	-5,496	-7.4	-(-172)
Residual Error	-107	93		+140
Gross National Expenditure	24,293	23,775	-2.1	52



### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services, seasonally adjusted, continued to rise in the third quarter, attributable entirely to a pick-up in durable goods purchases and to the continued growth in outlay for services; non-durable goods consumption remained stable. The rise in durable goods purchases was the first since the fourth quarter of last year, and reflects almost entirely an increase in purchases of new automobiles and television sets.

Relative to a year ago, personal expenditure on consumer goods and services was more than 3 per cent higher in the third quarter of 1954. Prices, on balance, were about 1 per cent higher, so that the volume increase was about 2 per cent. Expenditure on durable goods was off by 3 per cent, reflecting almost entirely a drop in purchases of automobiles. Outlays for non-durables showed an increase of 2 per cent. Higher food purchases contributed significantly to this latter gain; however, outlays for tobacco and alcoholic beverages were moderately lower. Overall, goods consumption (both durable and non-durable) was about 1 per cent higher in the third quarter than a year ago. In the services group, a major increase over last year of 7 per cent has occurred with the increases widely spread throughout nearly all components. The prices of consumer services have risen more than those of goods and the volume increase is estimated at about 2 per cent.

In the nine months' comparison, total personal expenditure on consumer goods and services was 3 per cent above a year ago and represented the major element in the continued strength of total demand for goods and services.

### Government Expenditure on Goods and Services

Expenditure for goods and services by all levels of government (federal, provincial and municipal), seasonally adjusted, increased from the second to the third quarter, and in total was only slightly below the level of the third quarter of a year ago. The drop from last year is accounted for by a 12 per cent decline in federal defence outlays (on the National Accounts basis), and was largely offset by higher outlays of provincial and municipal governments. It may be noted that defence expenditure in the first nine months of 1954 has been more than 10 per cent below last year's levels; the cumulative outlays for the four consecutive quarters ending September 30, 1954 have amounted to \$1,755 million compared with \$1,941 million for the comparable preceding period. The increase in provincial government expenditure on goods and services reflects higher investment outlays, while the increase in municipal government expenditures appears to be associated with the recent high volume of new housing construction which has increased the demand for roads, schools, and water and sewage facilities.

### Residential and Non-Residential Construction

Private investment in new residential construction, seasonally adjusted, rose very sharply in the third quarter, by about 22 per cent over the immediately preceding quarter. Housing starts and completions were at near record levels, following reduced activity in the second quarter. Relative to a year ago, the value of housing put in place in the third quarter was higher by approximately 13 per cent<sup>1</sup>. Housing has thus been an important sustaining factor in the economy at a time when most other demand categories were running somewhat below the levels of a year ago.

Private investment in new non-residential construction rose moderately in the third quarter, after successive declines from the peak third quarter of a year ago; it remained, however, approximately 13 per cent below last year's third quarter. This fall-off compared to last year appears to be associated, in part, with the completion of a number of remote area projects in the resource development field.

With prices of construction materials being lower than last year, the volume increase in housing was slightly higher than the value change and the decline in non-residential construction was slightly lower than the value decline.

### New Machinery and Equipment

Private investment in new machinery and equipment continued to decline in the third quarter, following the trend which began after the peak third quarter of 1953. This development has brought investment in new machinery and equipment to a point approximately 15 per cent below the third quarter of a year ago. Among the major items affected by this decline have been sales of commercial vehicles and agricultural implements. Prices were unchanged from the third quarter of last year.

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1. This reference is to the unadjusted data. (See footnote 3, Table 6.)



### Change in Inventories

Inventory developments have been an extremely important feature of the third quarter of 1954, and substantial liquidations are indicated when allowance is made for seasonal factors. Additions to farm inventories and grain in commercial channels were, of course, very much smaller this year than is usual for the third quarter, and this is reflected in the negative change in non-business inventories (see seasonally adjusted data, Table 6). At the same time, however, business inventories have shown very heavy liquidations<sup>1</sup>, and the turn-around from the third quarter of last year (when stocks were being accumulated) has been of the order of \$1 billion at annual rates, or 4 per cent of Gross National Product. As has been indicated, a part of this decline in business inventories appears to have been associated with the reduction in imports so that the effect on domestic production has been somewhat mitigated.

The rate of business inventory liquidation was intensified in the third quarter of 1954, moving from an annual rate of \$200 million in the second quarter to an annual rate of \$556 million. The third quarter liquidations were concentrated mainly in the manufacturing industries, but inventory stocks in retail trade also showed substantial depletions. Within the manufacturing group, the major declines occurred in iron and steel products, transportation equipment, electrical apparatus and supplies and petroleum products. As at September 30th, 1954, total holdings of manufacturing stocks were approximately 5 per cent below the level of September 30th, 1953. In retail trade, the inventory liquidation was felt mainly in the durable goods group, and reflected a strengthening in sales of new automobiles and appliances at a time when shipments from manufacturers were being reduced.

### Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, were slightly higher in the third quarter, continuing the slow upward trend which has been underway since the sharp decline in the fourth quarter of 1953. Relative to a year ago, however, exports of goods and services have shown a considerable drop of about 6 per cent in the third quarter, and about 7 per cent in the nine months' comparison. The decline in exports of wheat was the most important single factor in the total decline; wheat exports were about \$180 million lower in the first nine months of 1954. There appears to be some evidence that exports of grain products have strengthened in the third quarter, while exports of wood and non-ferrous metal products also have recently shown a firmer tone.

Imports of goods and services, seasonally adjusted, moved moderately upward in the third quarter of 1954, following a sharp decline which stabilized in the first half of this year. This development brought imports of goods and services in the third quarter to a level approximately 7 per cent below the third quarter of 1953, and 7 per cent below a year ago in the nine months' comparison. The declines in imports relative to a year ago have been much more widespread than in exports, and major declines have occurred in raw cotton and wool and their products, farm implements and machinery, automobiles and parts, with smaller declines in many other products. Relative to a year ago, the prices of exports of goods and services have fallen slightly, while those of imports have risen moderately, indicating a slight deterioration in the terms of trade.

The deficit on current account in the first nine months of 1954 was somewhat smaller than a year ago.

### Personal Income and Expenditure

In spite of a sharp drop in net income of farm operators relative to a year ago, the level of personal income in the third quarter was approximately the same as the 1953 annual rate of \$18.1 billion. Compared with the second quarter of this year, personal income showed a slight increase, on the seasonally adjusted basis. Thus, in spite of the drop in farm production, stability in non-farm production, and a somewhat lower level of employment in 1954, the flow of personal income in the economy has held up at a high level. This steadiness in income levels has been one of the major factors behind the continued expansion of consumer expenditure and the increased outlays for housing in 1954.

A number of factors have contributed to the maintenance of incomes at approximately last year's levels in the first nine months of 1954. Labour income has continued to expand in spite of slightly lower employment, reflecting continued advances in average hourly earnings. Interest, dividends and net rental incomes of persons have risen by more than 10 per cent in the nine months' comparison; although corporation profits were lower, dividend payments appear to have been maintained. Transfer payments from government were also up by approximately 10 per cent, reflecting mainly higher unemployment benefits and also the continued growth in family allowances and old age security payments. These three factors together have largely offset declines in other elements of personal income so that the total, on balance, was approximately unchanged from a year ago. At the same time, direct personal taxes were lower in the nine months' comparison by about 3 per cent; personal disposable income, seasonally adjusted, was thus slightly above last year's levels.

As has been indicated, consumer expenditures rose by about 3 per cent in the first nine months of 1954. This gain was more pronounced than the increase in disposable income, with the result that the personal saving ratio dropped, from 8 1/2 per cent of disposable income in the first nine months of 1953 to 6 per cent in 1954.

1. Both before and after seasonal adjustment.

TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,781	2,893	2,991	2,996	11,661	2,838	2,929	3,054
2. Military Pay and Allowances.....	70	77	79	83	309	84	92	95
3. Investment Income.....	864	1,021	1,009	850	3,744	812	962	993
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	30	106	1,323	190	1,649	66	155	715
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	342	441	431	466	1,680	328	414	420
6. NET NATIONAL INCOME AT FACTOR COST.....	4,087	4,538	5,833	4,585	19,043	4,128	4,552	5,277
7. Indirect Taxes less Subsidies.....	696	733	741	738	2,908	716	728	718
8. Depreciation Allowances and Similar Business Costs	534	575	592	635	2,336	566	618	628
9. Residual Error of Estimate.....	4	-57	59	57	63	-34	-66	-44
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,321	5,789	7,225	6,015	24,350	5,376	5,832	6,579
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,291)	(5,683)	(5,902)	(5,825)	(22,701)	(5,310)	(5,677)	(5,864)

## Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,478	3,811	3,662	4,214	15,165	3,579	3,932	3,782
2. Government Expenditure on Goods and Services <sup>1,4</sup> ..	1,158	889	1,207	1,154	4,408	1,121	875	1,200
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction.....	190	273	302	296	1,061	209	278	340
4. New Non-Residential Construction.....	315	417	530	464	1,726	317	393	465
5. New Machinery and Equipment.....	484	549	482	407	1,922	444	524	411
6. Change in Inventories.....	-121	-11	1,115	-411	572	-150	-83	327
7. (Business Inventories only) <sup>3</sup> .....	(123)	(248)	(124)	(-119)	(376)	(88)	(35)	(-124)
8. Exports of Goods and Services.....	1,158	1,404	1,484	1,374	5,420	1,088	1,279	1,402
9. Deduct: Imports of Goods and Services.....	-1,337	-1,600	-1,498	-1,425	-5,860	-1,266	-1,433	-1,393
10. Residual Error of Estimate.....	-4	57	-59	-58	-64	34	67	45
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,321	5,789	7,225	6,015	24,350	5,376	5,832	6,579

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1953					1954		
I	II	III	IV	Year	I	II	III
589	400	455	465	1,909	530	360	400



TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953					1954		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,781	2,893	2,991	2,996	11,661	2,838	2,929	3,054
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-94	-94	-97	-101	-386	-95	-97	-100
3. Military Pay and Allowances.....	70	77	79	83	309	84	92	95
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-6	114	1,287	221	1,616	62	159	683
5. Net Income of Non-Farm Unincorporated Business...	342	441	431	466	1,680	328	414	420
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	401	432	433	423	1,689	435	487	473
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	428	344	344	353	1,469	468	381	371
8. Charitable Contributions by Corporations.....	7	8	8	7	30	6	7	7
9. Net Bad Debt Losses of Corporations.....	6	7	7	8	28	7	7	7
10. PERSONAL INCOME.....	3,935	4,222	5,483	4,456	18,096	4,133	4,379	5,010

## Footnotes:

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
(millions of dollars)

	1953					1954		
	I	II	III	IV	Year	I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	312	381	291	303	1,287	299	352	307
2. Succession Duties.....	19	17	20	17	73	17	17	19
3. Miscellaneous.....	27	18	12	15	72	24	16	9
4. Total Personal Direct Taxes.....	358	416	323	335	1,432	340	385	335
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	1,910	2,131	2,141	2,543	8,725	1,972	2,205	2,188
6. Durable Goods.....	420	507	405	446	1,778	391	472	393
7. Services <sup>1</sup> .....	1,148	1,173	1,116	1,225	4,662	1,216	1,255	1,201
8. Total Personal Expenditure on Consumer Goods and Services.....	3,478	3,811	3,662	4,214	15,165	3,579	3,932	3,782
Personal Saving:								
9. Personal Saving Excluding Farm Inventory Change	368	179	616	285	1,448	410	146	459
10. Farm Inventory Change.....	-269	-184	882	-378	51	-196	-84	434
11. Total Personal Saving.....	99	-5	1,498	-93	1,499	214	62	893
12. PERSONAL INCOME.....	3,935	4,222	5,483	4,456	18,096	4,133	4,379	5,010
13. (Personal Disposable Income) <sup>2</sup> .....	(3,577)	(3,806)	(5,160)	(4,121)	(16,664)	(3,793)	(3,994)	(4,675)

## Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income.	11,408	11,672	11,728	11,836	11,661	11,700	11,816	11,960
2. Military Pay and Allowances.....	280	308	316	332	309	336	368	380
3. Investment Income.....	3,888	3,856	3,688	3,544	3,744	3,620	3,648	3,636
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,672	1,404	1,668	1,852	1,649	1,256	1,004	1,040
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,636	1,680	1,668	1,736	1,680	1,572	1,576	1,600
6. NET NATIONAL INCOME AT FACTOR COST.....	18,884	18,920	19,068	19,300	19,043	18,484	18,412	18,616
7. Indirect Taxes less Subsidies.....	2,844	2,940	2,984	2,864	2,908	2,916	2,920	2,884
8. Depreciation Allowances and Similar Business Costs	2,236	2,320	2,368	2,420	2,336	2,372	2,488	2,508
9. Residual Error of Estimate.....	204	-84	196	-64	63	100	-120	-256
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	24,168	24,096	24,616	24,520	24,350	23,872	23,700	23,752
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)....	(22,496)	(22,692)	(22,948)	(22,668)	(22,701)	(22,616)	(22,696)	(22,712)

## Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	14,996	15,080	15,192	15,392	15,165	15,392	15,560	15,716
2. Government Expenditure on Goods and Services <sup>1</sup> ..	4,460	4,320	4,568	4,284	4,408	4,356	4,244	4,512
Gross Domestic Investments <sup>2</sup>								
3. New Residential Construction <sup>3</sup> .....	1,020	1,000	1,044	1,180	1,061	1,104	1,000	1,224
4. New Non-Residential Construction.....	1,588	1,660	1,864	1,792	1,726	1,584	1,552	1,620
5. New Machinery and Equipment.....	2,028	1,832	2,044	1,784	1,922	1,820	1,804	1,740
6. Change in Inventories.....	708	612	472	496	572	156	-308	-924
7. (Business Inventories only) <sup>4</sup> .....	(304)	(676)	(492)	(32)	(376)	(248)	(-200)	(-556)
8. Exports of Goods and Services.....	5,316	5,564	5,648	5,152	5,420	5,016	5,160	5,208
9. Deduct: Imports of Goods and Services.....	-5,740	-6,056	-6,020	-5,624	-5,860	-5,456	-5,432	-5,604
10. Residual Error of Estimate.....	-208	84	-196	64	-64	-100	120	260
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES....	24,168	24,096	24,616	24,520	24,350	23,872	23,700	23,752

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. The seasonally adjusted housing data in 1953 contain a technical adjustment. Consequently, in making comparisons between the third quarters of 1953 and 1954, the unadjusted data should be used (Table 2).
4. Excludes grain in commercial channels and farm inventories.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income.	11,408	11,672	11,728	11,836	11,661	11,700	11,816	11,960
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.	-368	-384	-388	-404	-386	-372	-396	-400
3. Military Pay and Allowances.....	280	308	316	332	309	336	368	380
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,468	1,516	1,528	1,952	1,616	1,204	988	940
5. Net Income of Non-Farm Unincorporated Business..	1,636	1,680	1,668	1,736	1,680	1,572	1,576	1,600
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,648	1,668	1,788	1,652	1,689	1,804	1,884	1,960
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	1,452	1,452	1,448	1,524	1,469	1,588	1,608	1,564
8. Charitable Contributions by Corporations.....	28	32	32	28	30	24	28	28
9. Net Bad Debt Losses of Corporations.....	24	28	28	32	28	28	28	28
10. PERSONAL INCOME.....	17,576	17,972	18,148	18,688	18,096	17,884	17,900	18,060

## Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	1,276	1,288	1,292	1,292	1,287	1,252	1,260	1,260
2. Succession Duties.....	76	68	80	68	73	68	68	76
3. Miscellaneous.....	80	72	68	68	72	72	64	52
4. Total Personal Direct Taxes.....	1,432	1,428	1,440	1,428	1,432	1,392	1,392	1,388
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	8,584	8,744	8,752	8,820	8,725	8,840	8,984	8,980
6. Durable Goods.....	1,872	1,720	1,756	1,764	1,778	1,740	1,620	1,704
7. Services <sup>1</sup> .....	4,540	4,616	4,684	4,808	4,662	4,812	4,956	5,032
8. Total Personal Expenditure on Consumer Goods and Services.....	14,996	15,080	15,192	15,392	15,165	15,392	15,560	15,716
Personal Saving:								
9. Personal Saving Excluding Farm Inventory Change	1,164	1,572	1,640	1,416	1,448	1,348	1,264	1,056
10. Farm Inventory Change.....	-16	-108	-124	452	51	-248	-316	-100
11. Total Personal Saving.....	1,148	1,464	1,516	1,868	1,499	1,100	948	956
12. PERSONAL INCOME.....	17,576	17,972	18,148	18,688	18,096	17,884	17,900	18,060
13. (Personal Disposable Income) <sup>2</sup> .....	(16,144)	(16,544)	(16,708)	(17,260)	(16,664)	(16,492)	(16,508)	(16,672)

## Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, 1953-1954  
 UNADJUSTED FOR SEASONALITY<sup>1</sup>  
 (millions of dollars)

	1953				Year	1954		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services...	2,973	3,283	3,111	3,583	12,950	3,028	3,324	3,165
2. Non-Durable Goods.....	1,706	1,926	1,910	2,269	7,811	1,772	1,989	1,954
3. Durable Goods.....	367	445	356	394	1,562	345	416	350
4. Services.....	900	912	845	920	3,577	911	919	861
5. Government Expenditure on Goods and Services.....	921	701	955	902	3,479	856	662	915
Gross Domestic Investment:								
6. New Residential Construction.....	152	217	240	236	845	166	222	274
7. New Non-Residential Construction.....	239	316	403	351	1,309	236	297	357
8. New Machinery and Equipment.....	408	460	401	337	1,606	369	433	342
9. Change in Inventories.....	-146	-106	1,272	-422	598	-170	-138	487
10. (Business Inventories only).....	(120)	(200)	(64)	(-78)	(306)	(104)	(27)	(-76)
11. Exports of Goods and Services.....	1,020	1,251	1,337	1,257	4,865	994	1,159	1,271
12. Deduct: Imports of Goods and Services.....	-1,224	-1,445	-1,367	-1,291	-5,327	-1,154	-1,289	-1,256
13. Residual Error of Estimate.....	-3	47	-48	-48	-52	28	55	37
14. GROSS NATIONAL EXPENDITURE.....	4,340	4,724	6,304	4,905	20,273	4,353	4,725	5,592

Footnote:

1. See footnotes, Table 2.





CANADA



**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**Fourth Quarter and Preliminary Annual**  
**1954**

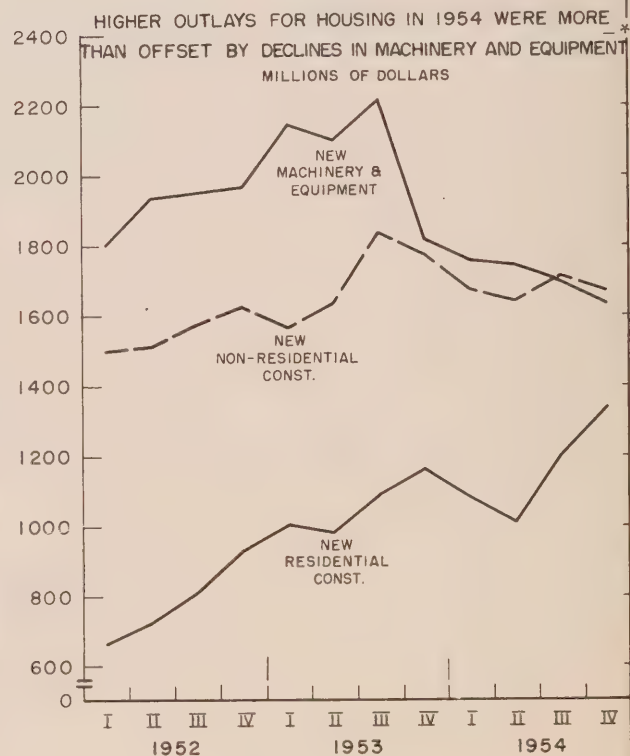
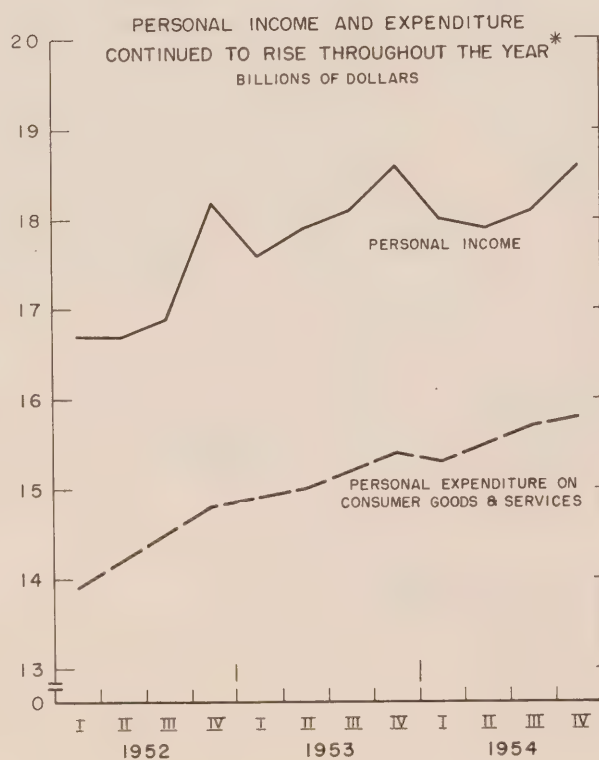
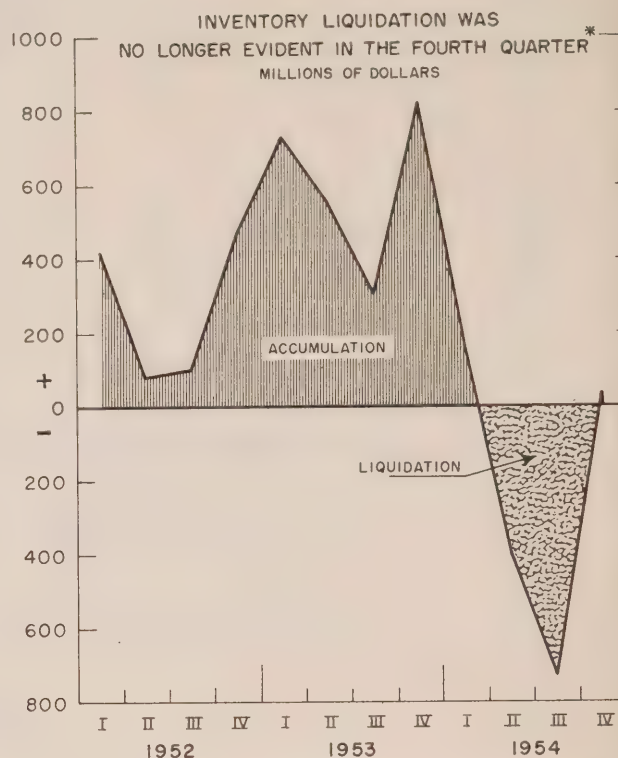
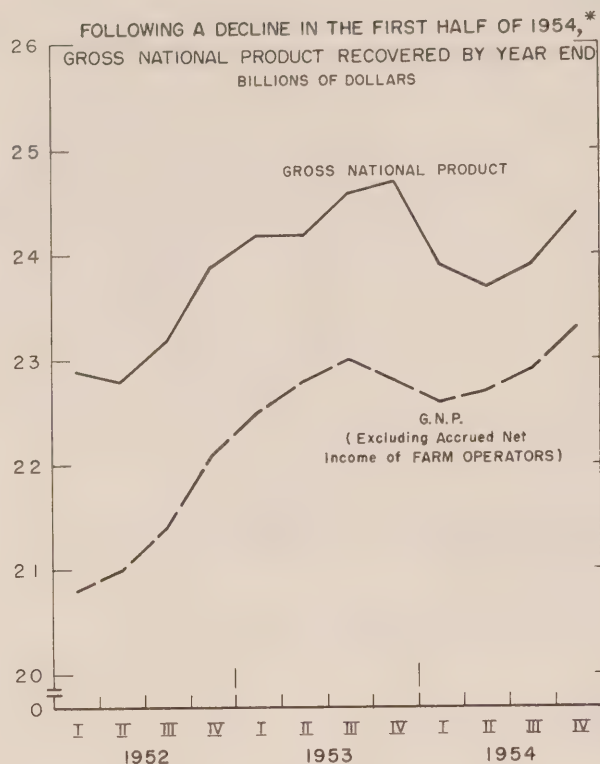
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## SELECTED COMPONENTS OF INCOME AND EXPENDITURE



\* QUARTERLY DATA, AT SEASONALLY ADJUSTED ANNUAL RATES

## INTRODUCTORY REVIEW

This report includes revised quarterly and annual data for the years 1952 and 1953 as well as preliminary data for 1954.

Canada's Gross National Product amounted to \$24.0 billion in 1954, a decline of almost 2 per cent from the level of \$24.4 billion in 1953. This decline in output reflects the drop in the value of farm production in 1954, with non-farm output showing a small increase in value over the preceding year. After allowing for a slight increase in the domestic price level, the volume of non-farm production was only slightly lower than in 1953. This relative stability indicated by the year-over-year comparisons obscures the fact that the contraction in industrial activity which began in the third quarter of 1953 was reversed in mid-1954 as Gross National Product moved upward in the last half of the year. This upward movement in the production of goods and services was particularly prominent in the fourth quarter, and raised the level of Gross National Product (excluding accrued net income of farm operators) above that of the peak third quarter of 1953.

The approximate timing and magnitude of the changes in non-farm output between 1953 and 1954 are illustrated in the accompanying chart (opposite page) and in the table below:

Seasonally Adjusted Annual Rates  
(rounded in billions of dollars)

	<u>1 9 5 3</u>				<u>1 9 5 4</u>			
	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>
Gross National Product (excluding accrued net income of farm operators <sup>1</sup> ).....	22.5	22.8	23.0	22.8	22.6	22.7	22.9	23.3
Change (computed from unrounded data).....	+0.3	+0.2	-0.2	-0.2	0	+0.2	+0.5	

The data indicate that the contraction in non-farm output was of comparatively small magnitude, apparently amounting to less than 2 per cent between the peak in the third quarter of 1953 and the low point in 1954. The recovery from the first half of 1954 through to the final quarter appears to have been about 3 per cent.

### Changes in Industrial Activity

Before proceeding to a description of the major product and expenditure categories, it will be useful to review briefly the experience of the various industrial groups in 1954. The declines in non-farm output which occurred during the down-turn were concentrated in the durable goods manufacturing industries, including iron and steel products, transportation equipment, and electrical apparatus and supplies. Output in non-durable goods manufacturing also showed a small decline during the period in which the contraction was under way, reflecting mainly the drop in clothing and textile production. It is interesting to note that from mid-1953 to mid-1954 the declines in the above groups were as follows: durable manufacturing, 11 per cent; iron and steel products, 12 per cent; transportation equipment, 26 per cent; electrical apparatus and supplies, 15 per cent; non-durable manufacturing, 2 per cent; clothing, 17 per cent; and textiles, 17 per cent. In the last half of 1954, the production of durable goods was showing greater strength. However, for the year as a whole, durable goods manufacturing output was down by 8 per cent. Production of non-durable manufacturing goods was also showing a firmer tone in the latter part of 1954, and clothing and textile production was somewhat stronger; for the full year 1954, non-durable production was about 1 per cent lower than in 1953. Taking manufacturing as a whole, both durable and non-durable goods, the decline in output from 1953 to 1954 amounted to about 4 per cent.

Outside the manufacturing field, production gains were widespread in 1954. All of the primary industries except agriculture showed substantial increases, with production in mining, quarrying and oil wells up by 13 per cent; metals, fuels and non-metals showed gains of 9, 13 and 2 per cent, respectively. In the public utilities group, gains were also recorded, with output of electrical power up by 5 per cent and sales of natural gas up by 25 per cent. In the fishing industry, the volume of landings of sea fish was 10 per cent higher than in the previous year. Forestry also showed a gain in output over 1953.

Production in most of the service industries moved upward in 1954. However, in transportation, storage and communication a decline was recorded, associated with lower shipments of grain, iron ore and heavy manufactured goods; ton-miles of revenue freight carried were down by 12 per cent from 1953. In construction, a small increase in output was shown over the previous year.

These production gains in the primary industries (except agriculture) and in the services group approximately counter-balanced the decline in manufacturing, and in transportation, storage and

1. It may be noted that these figures are only approximately representative of movements in the non-farm sector since they include a number of small and stable components of G.N.P. originating in agriculture e.g. wages, interest, rents and depreciation.



communication so that, for the year as a whole, little change occurred in total non-farm output.

Accompanying developments on the production side in 1954, persons with jobs in the non-farm sector of the economy declined, by about 1 per cent. Along with some growth in the labour force, this led to an increase in persons without jobs and seeking work; the latter averaged 231,000 and amounted to 4.3 per cent of the labour force for 1954 as a whole. The drop in manufacturing employment between 1953 and 1954 amounted to 5 per cent. The average number of hours worked per week in manufacturing also fell between 1953 and 1954, by 1.7 per cent.

#### Summary of Movements in Income and Expenditure

In spite of the over-all decline in non-farm employment of 1 per cent in 1954, labour income continued to rise throughout the year. Higher average hourly rates more than offset declines in total employment and in average hours worked, so that for the year as a whole, wages and salaries were 2 per cent above the level of 1953. Gains also occurred in other elements of personal income in 1954, and these contributed to the maintenance of a high level of purchasing power in the personal sector of the economy. As a result, despite the sharp drop in net income of farm operators, total personal income showed little change in 1954 from the level of the preceding year. In fact, disposable income, with net income of farm operators removed, was about 4 per cent higher in 1954 than in 1953. This gain is quite striking in view of the fact that employment in the non-farm sector was below the 1953 level and total non-farm production was relatively stable in the year-over-year comparison.

#### Gross National Expenditure, 1953-1954

	<u>\$ Billions</u>		<u>Changes in \$ Billions</u>		
	<u>1953</u>	<u>1954</u>	<u>1953 to</u>	<u>III Q.'53</u>	<u>II Q.'54</u>
	<u>(1)</u>	<u>(2)</u>	<u>1954</u>	<u>to II Q.'54</u>	<u>to IV Q.'54</u>
			<u>(3)</u>	<u>(4)</u>	<u>(5)</u>
Personal Expenditure.....	15.1	15.6	+5	+3	+3
Government Expenditure.....	4.4	4.4	-	-3	+2
Residential Construction.....	1.1	1.2	+1	-1	+3
Non-residential Construction....	1.7	1.7	-	-2	-
Machinery and Equipment.....	2.1	1.7	-4	-5	-1
Exports.....	5.4	5.1	-3	-5	+1
<b>TOTAL FINAL PURCHASES</b>					
(EX INVENTORIES).....	29.8	29.7	-1	-1.3	+8
Change in Inventories.....	.6	-.2	-.8	-.7	+4
(Business Only).....	(.4)	(-.1)	(-.5)	(-.6)	(+.4)
Imports.....	-5.9	-5.6	-(-.3)	-(-.6)	-(+.3)
Error.....	-.1	+1	+2	+4	-.2
<b>GROSS NATIONAL EXPENDITURE.....</b>	<b>24.4</b>	<b>24.0</b>	<b>-.4</b>	<b>-.9</b>	<b>+7</b>

(Note: Columns 4 and 5 are at seasonally adjusted annual rates. Figures will not add by +.1 or -.1 due to rounding.)

Total final purchases of goods and services, apart from inventory investment, (see above table), showed very little change from the level of the year 1953. This development reflects mainly the continued rise in consumer expenditures throughout 1954, and also, in part, the increase in outlays for new housing; the combined increase in housing and consumer expenditure largely offset the declines in business investment in durable assets (primarily in machinery and equipment) and in exports. The substantial business inventory build-up of 1953 was reversed in 1954 and a considerable liquidation of inventories took place, with the turn-around amounting to \$0.5 billion. This shift in the inventory sector from a position of net accumulation to one of net liquidation occurred chiefly at the manufacturing level, and was mainly concentrated in those areas where declines in production were most pronounced, namely iron and steel products, transportation equipment, electrical apparatus and supplies, and clothing and textiles. At the same time, farm and grain inventories were reduced in 1954, in contrast to some accumulation in the preceding year. The net effect of these various changes on total Canadian production was partly offset by a decline in imports of foreign-produced goods and services, so that on balance, Canadian output declined by only \$0.4 billion. It may be noted that the fall-off in imports was also concentrated largely in those industries where production and inventory declines occurred.

Turning to developments within the years 1953 and 1954, business inventory movements were a factor of major significance in the down-turn which occurred between the third quarter of 1953 and the second quarter of 1954. The extent of the inventory turn-around can be seen in the above table, and amounted to the equivalent of \$0.6 billion of new production. However, as the table indicates, other demand categories were also weakening during this same period, with final purchases of goods and services (excluding inventory investment) declining by \$1.3 billion. Thus, the drop in the flow of spending amounted in total to close to \$2.0 billion at annual rates. A large part of this decline

in demand was matched by a cut-back in imports of foreign-produced goods and services, which fell by \$0.6 billion; thus, to this extent the impact of declining demand on Canadian production was partly neutralized.

The pattern of the recovery from the middle of 1954 to the end of the year is also illustrated in the above table. With the exception of machinery and equipment outlays, all of the final expenditure categories which had previously been showing declines were picking up in the last half of the year. At the same time, the business inventory liquidation which had been very substantial in the second and third quarters was no longer in evidence at year end; if allowance is made for seasonal factors, some net accumulation appears to have occurred in the fourth quarter.

The review which follows provides a more detailed analysis of the components of National Income, Gross National Product and Gross National Expenditure.

#### Wages, Salaries and Supplementary Labour Income

Wages, salaries and supplementary labour income increased by 2 per cent in 1954 over the preceding year. Changes by industry paralleled to a large extent the changes in the production pattern already noted. Thus, gains occurred in most of the primary industries, and in all of the service groups including public utilities, trade, finance, and government services; the increases in the service components were much higher than for other industries. On the other hand, wages and salaries in transportation, storage and communication, and in manufacturing, declined in the year-to-year comparison. These movements reflected a number of factors, including the continued expansion of activity in mining and iron ore developments, the general growth in the service industries, the decline in manufacturing production, and lower shipments of grain, iron ore and heavy manufactured products. The declines in manufacturing wages and salaries were concentrated in iron and steel products, transportation equipment, and clothing, textile and leather products, which showed declines ranging from 6 to 10 per cent.

The trend of total wages and salaries throughout the year was steadily upward and this was an important stabilizing influence in the economy during the period when production was declining. The fourth quarter rate of wages and salaries was about 2 per cent above the 1954 average.

As has been indicated, the rise in average hourly earnings more than accounted for the gains in total labour income over the year 1953. The increase in average hourly earnings in non-durable goods manufacturing amounted to 5 per cent, and in durable goods manufacturing to 3 per cent; in construction and mining, the gains were 3 per cent, and 2 per cent, respectively.

#### Investment Income

The total of investment income, which includes corporation profits, interest, net rents and government investment income, declined by approximately 2 per cent from 1953 to 1954. Corporation profits, before taxes, which is the major component of investment income, is estimated to have declined by about 7 per cent, although actual fourth quarter data are not yet available; the drop was concentrated in the metal-using manufacturing industries and in retail and wholesale trade. Interest and net rental receipts of persons rose by about 12 per cent in 1954, reflecting increases in average rents, the growth in the number of housing units, and higher deposit interest paid by banks. Government investment income showed little change from 1953, with higher interest receipts approximately offsetting a decline in profits of government enterprises.

Throughout the year 1954, investment income (seasonally adjusted) was relatively stable, following declines in the last half of 1953. Corporation profits, which had been declining throughout most of the year 1953, levelled off early in 1954 and showed little change throughout the remainder of the year.

#### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production was \$1.1 billion in 1954, a decline of about one-third from \$1.6 billion in 1953. This decline was accounted for by the drop of \$0.5 billion in the value of crop production, which reflected adverse weather conditions in the Western provinces and severe rust damage to the grain crop. It should be noted, however, that the year 1953 produced the second largest grain crop in history, so that the decline in 1954 represents a drop from a very high base. Moreover, cash income from the sale of farm products declined much less sharply in 1954, partly reflecting the fact that grain deliveries did not drop as sharply as crop production; the decrease in cash income in 1954 amounted to 12 per cent.

In contrast to the decline in grain output in 1954, the production of livestock increased, and with prices only slightly lower, there was some increase in income from this source. Cash income from fruits, vegetables and dairy products was unchanged in total from the previous year.

Net income of non-farm unincorporated business in 1954 was slightly below the preceding year, (by about 3 per cent). The decline was concentrated entirely in manufacturing and retail trade; gains occurred in other groups, with the major gains showing up in net income from professional service and in the construction industry. The gain in construction was related to the higher level of house building in 1954.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies amounted to \$2.9 billion in 1954, relatively unchanged from the level of the previous year. However, there were a number of significant shifts among the components. At the federal level, indirect taxes declined by 5 per cent, mainly accounted for by lower sales and



excise tax collections and by a drop in customs import duties; the declines in these components were 5 and 7 per cent respectively, and were associated with lower levels of factory shipments of goods, particularly durables, as well as with a drop in imports. Changes in tax rates introduced in the April 1954 Budget were also a contributing factor in the decline. Accompanying the drop in federal indirect taxes, subsidies were also somewhat lower in 1954 than in the preceding year. At the provincial level, indirect taxes showed an increase of 6 per cent, accounted for by gains in gasoline and retail sales taxes. At the municipal level a gain of 6 per cent occurred, as real and personal property taxes rose over the previous year.

#### Depreciation Allowances and Similar Business Costs

Depreciation allowances and similar business costs increased by 5 per cent in 1954 to reach a total of \$2.5 billion. Almost all of the increase was due to higher corporation capital cost allowances, mining development write-offs, and depreciation charges for residential and non-residential real estate.

#### The Pattern of Demand

As has been noted, consumer expenditures and investment in new housing construction were the two important sustaining forces on the demand side in 1954. With the exception of government expenditure on goods and services which remained level, all other major expenditure categories showed declines in 1954 relative to the preceding year. During the period of the down-turn in production, from mid-1953 to mid-1954, the declines in the seasonally adjusted expenditure components were particularly sharp (see table on page 2) but from mid-1954 to the end of the year all of the expenditure items were rising again with the exception of outlays for new machinery and equipment. These developments are discussed in greater detail in the sections which follow.

#### Personal Expenditure on Consumer Goods and Services

The major expansionary force in the economy in 1954 was personal expenditure on consumer goods and services which rose by 3 per cent, from \$15.1 billion in 1953 to \$15.6 billion in 1954. This increase was associated with a continuing high level of personal disposable income and a drop in the proportion of income saved. Expenditures for services and non-durable goods were higher in 1954, by 6 per cent and 3 per cent respectively, but expenditures for durable goods declined by 6 per cent. With prices slightly higher than in the preceding year, the volume increase in total personal expenditure amounted to about 2 per cent.

The major gain in non-durable goods purchases in 1954 was in the food component, which rose by 5 per cent. Purchases of clothing declined by 5 per cent, while expenditure on tobacco and alcoholic beverages showed little change. In volume terms, non-durable goods purchases as a whole showed approximately the same increase as is indicated by the value figures.

In the durable goods group, the declines were widespread, but were especially marked in purchases of new automobiles which fell by 12 per cent. Purchases of most types of household appliances and furniture also declined, and shipments of domestic washing machines and refrigerators were down by 10 per cent and 12 per cent respectively, from the previous year; imports of refrigerators showed a drop of 41 per cent. The declines in these and other durable goods purchases were partially offset by higher sales of television sets, shipments of which increased by 45 per cent over 1953. With prices for durable goods as a whole slightly below the previous year, it is estimated that the volume of purchases declined by about 5 per cent.

Most of the service groups showed increases in 1954, with major gains occurring in expenditures for household operations and utilities, and for shelter. Outlays for automobile repair and maintenance, medical care, education, and personal care were also higher in 1954. With prices for services considerably higher than in 1953, the volume of services purchased is estimated to have risen by only 1 per cent.

Throughout the year 1954, total personal expenditure on goods and services rose steadily, reflecting the growth in the non-durable and service groups. Durable goods purchases, seasonally adjusted, declined erratically throughout most of the year. In the fourth quarter of 1954, consumer expenditure as a whole was running at an annual rate of \$15.3 billion, almost 5 per cent above the average for the year 1953.

#### Government Expenditure on Goods and Services

Expenditure for goods and services by all levels of government (federal, provincial and municipal) remained practically unchanged in 1954, at approximately \$4.4 billion. At the federal level, a decline of more than \$100 million, or 5 per cent, was offset by gains of 5 per cent and 7 per cent, respectively, in provincial and municipal government expenditures. It may be noted that federal defence expenditure for the year 1954 amounted to \$1.7 billion compared with \$1.9 billion in 1953, a drop of 9 per cent (on the National Accounts basis); this decline was partly offset by increases in federal non-defence outlays for goods and services which were associated with higher wage and salary payments, higher federal non-defence investment expenditures and a smaller liquidation of commodity stocks. An increase in provincial government expenditure on goods and services reflected larger public investment outlays, while the increase in municipal government expenditures was associated with the high volume of new housing construction in 1954 which increased the demand for roads, schools, and water and sewage facilities.



### Gross Domestic Investment (excluding inventory change)

The steady growth in outlays for capital goods which has been a prominent feature of the post-war period was interrupted in 1954. Gross domestic investment (excluding inventory investment) declined, from \$4.3 billion in 1953 to \$4.5 billion, a drop of 6 per cent. This decline was more than accounted for by sharply-reduced outlays for machinery and equipment (off by 17 per cent) and by somewhat smaller expenditures for new non-residential construction (off by 2 per cent). On the other hand, outlays for new housing continued to increase, with a gain of 9 per cent over 1953. In this connection, it may be noted that a change in the National Housing Act in early 1954 reduced down-payment requirements on homes, and extended the repayment period of mortgage loans; at the same time, a change in the Bank Act permitted the chartered banks to extend loans on home mortgages.

The decline in business outlays for plant, machinery and equipment was fairly widespread. The heaviest declines occurred in manufacturing (\$174 million or 18 per cent), agriculture and fishing (\$153 million or 28 per cent), and utilities (\$96 million or 8 per cent). The decline in agriculture reflects mainly a sharp drop in purchases of power farm machinery, while the drop in utilities is associated to a large extent with smaller expenditures by central electric stations and reduced outlays for construction by steam railways. It may be noted in passing that sales of commercial motor vehicles were lower by 27 per cent in 1954. Smaller absolute declines occurred in mining, quarrying and oil wells, and in the construction industry. Partially offsetting the above declines, increases were recorded for trade, finance and commercial services, with smaller gains occurring in forestry and non-government institutions.

At year-end, outlays for new residential construction were at record levels. Investment in non-residential construction, seasonally adjusted, fell slightly in the fourth quarter, while outlays for new machinery and equipment continued the steady declines which were apparent throughout the year 1954.

Price changes were small in all of the components of fixed asset investment in 1954, and the volume changes were of about the same magnitude as the value changes.

### Changes in Inventories

Within 1954, inventory changes were a dominating influence in the movement of total production. The volatility of this component, and the rapidity with which changes can occur in the inventory field, make it especially significant in the quarter-to-quarter movements in Gross National Product. Moreover, inventory developments were of major importance in the changes which occurred in the annual levels of production in certain industries between 1953 and 1954. The table on page 2 indicates the magnitude of the inventory changes relative to movements in other components of Gross National Expenditure.

From 1953 to 1954, the inventory sector shifted from a position of substantial net accumulation amounting to \$605 million, to a position of net liquidation of \$230 million. This represented a turn-around of approximately \$0.3 billion, or 3 per cent of Gross National Product, of which more than one-half was attributable to movements in business inventories; the remainder of the turn-around was accounted for by depletions in grain and farm-held inventories in 1954, compared with some accumulation in the previous year.

	<u>1953</u>	<u>1954</u>	<u>Total Change</u>
	<u>(millions of dollars)</u>		
Change in Business Inventories.....	409	-73	-482
Change in Farm Inventories.....	51	-144	-195
Change in Grain in Commercial Channels.....	<u>145</u>	<u>-13</u>	<u>-158</u>
T o t a l	605	-230	-835

The business inventory turn-around between 1953 and 1954 amounted to \$482 million and occurred almost entirely within the manufacturing sector. Within manufacturing, the changes were most pronounced in the metal-using industries, and in the textile and clothing industries. It may be noted that these were the sectors of the economy where the largest production declines occurred in 1954, and where imports were cut back most sharply. These production, import and inventory declines were in turn related to a major drop in investment in machinery and equipment, to lower purchases of clothing and durable goods by consumers, and somewhat smaller defence outlays. As has been pointed out, these declines were largely counter-balanced by gains in other final expenditure components in 1954 so that total final purchases, apart from inventory investment, showed little change. Inventory movements thus exerted the major downward tendency on the economy in 1954.

Turning to the inventory changes from the production peak in the third quarter of 1953 to the low point in the second quarter of 1954, it is apparent that developments in business inventories were a major factor in the decline in industrial activity. During this period, business inventories moved from a seasonally adjusted rate of accumulation of \$300 million to a rate of liquidation of \$300 million, a shift which was the equivalent of about \$0.6 billion in new production. This development was accompanied by a fall-off in most of the other major demand categories of Gross National Expenditure, and by a decline in Gross National Product amounting to \$0.9 billion at annual rates. It must be noted, however, that this latter figure includes the drop in crop production between 1953

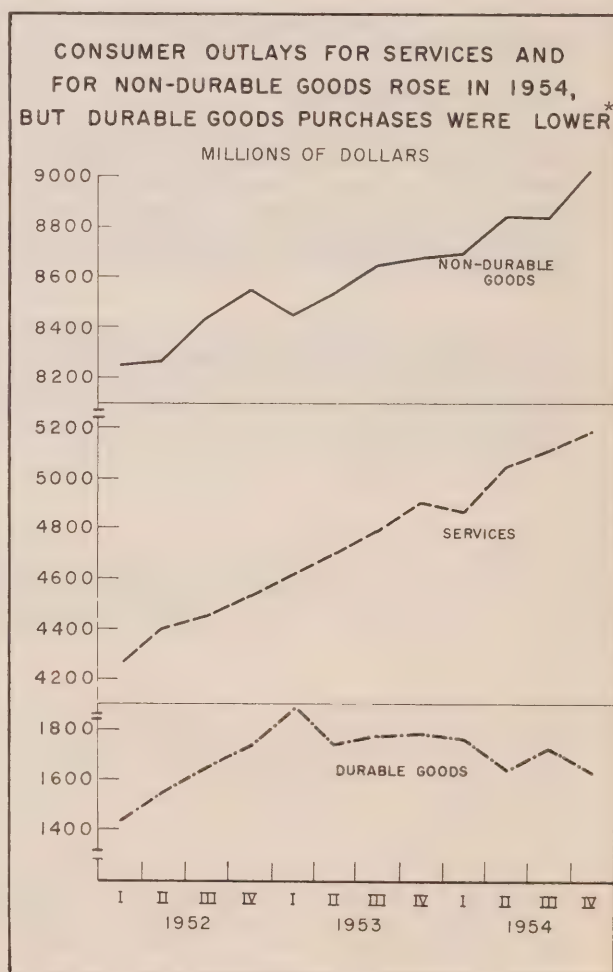
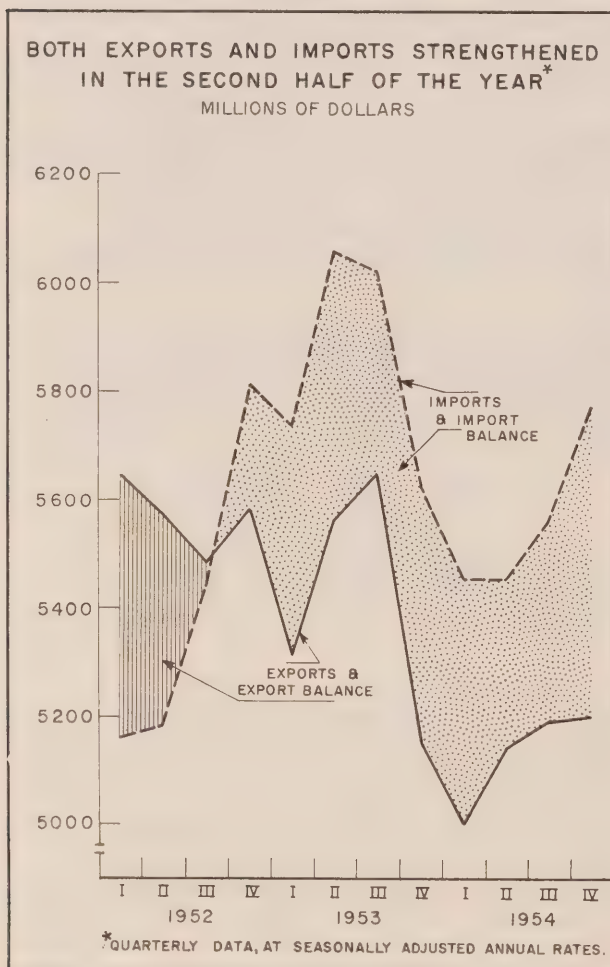
and 1954 of approximately \$500 million,<sup>1</sup> and that the decline in non-farm output was only of the order of \$0.3 billion at annual rates.

The depletion of business inventories continued in the third quarter of 1954, when it reached its maximum rate, seasonally adjusted. By the fourth quarter, however, liquidations no longer appeared to be in evidence and a small accumulation was taking place. This reversal in the inventory sector amounted to \$0.4 billion and, together with generally rising outlays in other components of Gross National Expenditure, brought the level of total output to a rate of \$24.4 billion in the final quarter of the year.

#### Exports and Imports of Goods and Services

Exports of goods and services declined in 1954 by 5 per cent, from \$5.4 billion in 1953 to \$5.1 billion. The entire decline can be more than accounted for by a drop of \$295 million in exports of grains and flour. This development was related to the improved world supply position of wheat and coarse grains, and has constituted the major factor in the drop in exports since the third quarter of 1953. Non-grain exports were well maintained in 1954, with declines in motor vehicles, primary iron and steel products, and a few defence exports being offset by increases in newsprint, wood pulp, planks and boards, most base metals, fishery products and chemical products. Non-grain exports to Europe showed marked increases in 1954, reflecting higher levels of industrial activity in overseas countries. Total receipts from services showed declines in 1954, with the largest drops occurring in freight and shipping services, and in interest and dividend receipts.

Seasonally adjusted, exports of goods and services showed a gradual strengthening throughout 1954, following a sharp decline between the third quarter of 1953 and the first quarter of 1954 which was associated with the drop in agricultural exports. Non-agricultural merchandise exports in the fourth quarter of 1954 were more than 8 per cent above the fourth quarter of 1953.



Imports of goods and services also declined in 1954, from \$5.9 billion in 1953 to \$5.6 billion, or by 5 per cent. Almost three-quarters of this decline was concentrated in imports of iron and its products. Large declines also occurred in imports of non-metallic minerals (9 per cent) and in imports of fibres and textiles (14 per cent). These declines were related to a number of factors, including lower purchases of agricultural implements (reflecting the drop in farm income); lower outlays for machinery and equipment in the non-agricultural sector; lower consumer outlays for durable

1. In the seasonally adjusted data, crop production in the National Accounts is spread evenly over the four quarters of the year.



goods; and a decline in consumer purchases of clothing. The heavy liquidations of inventories which were in progress during 1954 were also a factor contributing to the reduction in imports in these groups. Large increases in imports were few in 1954 and were mainly limited to food products. In the services sector, increases in tourist expenditures and in interest and dividend payments abroad more than offset the drop in payments for freight and shipping services.

Imports of goods and services seasonally adjusted, moved upward in the last half of 1954, following the down-turn which began in the third quarter of 1953. At year-end, imports of goods and services were running at a rate of \$5.8 billion, or about 5 per cent below the second quarter 1953 peak.

For the year 1954 as a whole, the deficit on current account was slightly smaller than in 1953, amounting to \$425 million. Export prices were slightly lower in 1954 than in the preceding year, and import prices were approximately unchanged so that there was a small deterioration in the terms of trade.

#### Personal Income, Expenditure and Saving

Although earnings from current production, as measured by the National Income, were lower in 1954 (reflecting mainly the drop in net income of farm operators and in corporation profits), the flow of income payments to persons was maintained, and personal income for the year as a whole was slightly above the level of 1953. This stability in personal income at a time when National Income was declining reflected an increase in transfer payments from government, particularly unemployment benefits, and the maintenance of dividend payments despite lower earnings of corporations. Stability in personal income in 1954 was also related in an important way to the fact that labour income continued to rise throughout the year in spite of slightly lower employment and a shorter factory work week, as average hourly earnings continued to advance.

Disposable income showed little change between the two years as personal direct taxes remained level. With stability in income and a decline in the proportion of income saved, personal expenditure on consumer goods and services continued its upward trend throughout the year. The movements in personal expenditure have been discussed in a preceding section. Personal saving in 1954 amounted to \$1.1 billion, compared with \$1.5 billion in the previous year. It may be noted that net income of farm operators fell by \$0.5 billion in 1954 and this has been a significant factor in the total decline in personal saving. As a proportion of disposable income, total personal saving was 6.8 per cent in 1954 compared with 9.2 per cent in 1953.

#### National Saving and Investment

Gross national saving declined by 18 per cent in 1954, from \$4.9 billion to \$4.0 billion. This decline was attributable to a lower level of personal saving (which fell from a rate of \$1.5 billion to a rate of \$1.1 billion), and to a change in the surplus of the consolidated government sector, which declined by \$0.2 billion. Gross business saving remained substantially unchanged, with higher depreciation allowances approximately offsetting a drop in undistributed corporation profits. Reflecting these changes in the sources and level of saving, total national saving declined from 20 per cent of Gross National Product in 1953 to 17 per cent in 1954.

	1953	1954	Change 1953 to 1954
	(Billions of dollars)		
Gross Private Saving			
Personal Saving.....	1.5	1.1	-.4
Undistributed Corporation Profits.....	.7	.6	-.1
Depreciation Allowances.....	2.4	2.5	+.1
Other.....	-	-	-
Government Surplus.....	.2	-	-.2
Residual Error.....	.1	-.2	-.2
Gross National Saving <sup>1</sup> .....	4.9	4.0	-.9
Gross Domestic Investment:			
Gross Domestic Investment (ex. inventories)	4.8	4.5	-.3
Change in Inventories.....	.6	-.2	-.8
Net Foreign Investment.....	-.4	-.4	-
Residual Error.....	-.1	.2	.2
Gross National Investment <sup>1</sup> .....	4.9	4.0	-.9

1. Figures will not add by + .1 or -.1 due to rounding.

As has been noted on page 5, the supply of available goods and services which was diverted to domestic investment channels (i.e. inventories, plant, equipment and housing) in 1954 was considerably smaller than in the preceding year, by about \$1.1 billion. Nevertheless, the nation's saving in 1954 fell considerably short of the amount required to support this lower domestic investment program, and the gap was closed by drawing, on balance, upon foreign resources. This development was reflected in a current account deficit amounting to \$425 million in 1954, only slightly smaller than the deficit sustained in the preceding year.

1. Includes budgetary and extra-budgetary revenues and expenditures of federal, provincial and municipal governments.



TABLE 1. NATIONAL INCOME AND GROSS NATIONAL  
(millions)

	1 9 5 2				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income...	2,556	2,629	2,769	2,864	10,818
2. Military Pay and Allowances.....	60	67	69	74	270
3. Investment Income.....	837	969	1,010	917	3,733
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	135	129	1,424	170	1,858
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	306	418	422	429	1,575
6. NET NATIONAL INCOME AT FACTOR COST.....	3,894	4,212	5,694	4,454	18,254
7. Indirect Taxes less Subsidies.....	646	651	692	725	2,714
8. Depreciation Allowances and Similar Business Costs	483	522	533	577	2,115
9. Residual Error of Estimate.....	4	31	17	67	119
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,027	5,416	6,936	5,823	23,202
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(4,892)	(5,287)	(5,512)	(5,653)	(21,344)

## Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE,  
(millions)

	1 9 5 2				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,231	3,577	3,510	4,045	14,363
2. Government Expenditure on Goods and Services <sup>1</sup> .....	1,100	867	1,102	1,190	4,259
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	126	200	223	237	786
4. New Non-Residential Construction.....	303	381	450	420	1,554
5. New Machinery and Equipment.....	438	564	466	448	1,916
6. Change in Inventories.....	-199	-183	1,126	-474	270
7. (Business Inventories only) <sup>3</sup> .....	(-19)	(19)	(33)	(-92)	(-59)
8. Exports of Goods and Services.....	1,234	1,409	1,430	1,500	5,573
9. Deduct: Imports of Goods and Services.....	-1,202	-1,368	-1,353	-1,477	-5,400
10. Residual Error of Estimate.....	-4	-31	-18	-66	-119
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,027	5,416	6,936	5,823	23,202

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1 9 5 2					Year	1 9 5 3					Year	1 9 5 4					Year
I	II	III	IV			I	II	III	IV			I	II	III	IV		
511	382	409	498		1,800	590	401	452	464		1,907	528	360	400	440		1,728

PRODUCT, BY QUARTERS, 1952-1954  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
2,781	2,893	2,991	2,996	11,661	2,838	2,929	3,054	3,079	11,900
70	77	79	83	309	83	92	95	97	367
893	1,031	1,013	838	3,775	858	980	1,002	869	3,709
30	106	1,323	190	1,649	66	145	719	184	1,114
349	454	446	443	1,692	332	427	444	442	1,645
4,123	4,561	5,852	4,550	19,086	4,177	4,573	5,314	4,671	18,735
690	732	742	736	2,900	716	734	728	735	2,913
535	587	594	648	2,364	565	624	623	678	2,490
5	-66	48	79	66	-58	-92	-42	39	-153
5,353	5,814	7,236	6,013	24,416	5,400	5,839	6,623	6,123	23,985
(5,323)	(5,708)	(5,913)	(5,823)	(22,767)	(5,334)	(5,694)	(5,904)	(5,939)	(22,871)

BY QUARTERS, 1952-1954  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
3,474	3,783	3,654	4,204	15,115	3,566	3,902	3,774	4,339	15,581
1,166	879	1,185	1,132	4,362	1,121	870	1,184	1,185	4,360
190	273	302	296	1,061	205	281	332	341	1,159
311	412	523	460	1,706	335	414	491	436	1,676
522	592	520	439	2,073	429	508	402	372	1,711
-125	4	1,115	-389	605	-134	-65	379	-410	-230
(119)	(263)	(124)	(-97)	(409)	(103)	(53)	(-79)	(-150)	(-73)
1,158	1,404	1,484	1,374	5,420	1,085	1,276	1,399	1,374	5,134
-1,337	-1,600	-1,498	-1,425	-5,860	-1,265	-1,438	-1,381	-1,475	-5,559
-6	67	-49	-78	-66	58	91	43	-39	153
5,353	5,814	7,236	6,013	24,416	5,400	5,839	6,623	6,123	23,985

TABLE 3. SOURCES OF PERSONAL  
(millions)

	I	II	1 9 5 2 III IV	Year	
1. Wages, Salaries and Supplementary Labour Income...	2,556	2,629	2,769	2,864	10,818
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-87	-88	-89	-94	-358
3. Military Pay and Allowances.....	60	67	69	74	270
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	110	78	1,366	306	1,860
5. Net Income of Non-Farm Unincorporated Business....	306	418	422	429	1,575
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	374	406	381	412	1,573
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	374	321	332	329	1,356
8. Charitable Contributions by Corporations.....	6	7	7	6	26
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	25
10. PERSONAL INCOME.....	3,705	3,844	5,263	4,333	17,145

Footnotes:

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	I	II	1 9 5 2 III IV	Year
Personal Direct Taxes:				
1. Income Taxes.....	266	332	279 300	1,177
2. Succession Duties.....	21	18	15 19	73
3. Miscellaneous.....	25	17	12 16	70
4. Total Personal Direct Taxes.....	312	367	306 335	1,320
Personal Expenditure on Consumer Goods and Services:				
5. Non-Durable Goods.....	1,829	2,003	2,076 2,458	8,366
6. Durable Goods.....	320	454	381 435	1,590
7. Services <sup>1</sup> .....	1,082	1,120	1,053 1,152	4,407
8. Total Personal Expenditure on Consumer Goods and Services.....	3,231	3,577	3,510 4,045	14,363
Personal Saving:				
9. Personal Saving Excluding Farm Inventory Change	330	99	408 388	1,225
10. Farm Inventory Change.....	-168	-199	1,039 -435	237
11. Total Personal Saving.....	162	-100	1,447 -47	1,462
12. PERSONAL INCOME.....	3,705	3,844	5,263 4,333	17,145
13. (Personal Disposable Income) <sup>2</sup> .....	(3,393)	(3,477)	(4,957) (3,998)	(15,825)

Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1952-1954  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
2,781	2,893	2,991	2,996	11,661	2,838	2,929	3,054	3,079	11,900
-96	-96	-98	-100	-390	-96	-99	-99	-101	-395
70	77	79	83	309	83	92	95	97	367
-6	114	1,287	221	1,616	62	148	682	217	1,109
349	454	446	443	1,692	332	427	444	442	1,645
400	428	430	425	1,683	437	492	467	469	1,865
425	342	344	350	1,461	473	381	371	376	1,601
6	7	7	5	25	5	7	6	6	24
6	7	7	8	28	7	7	7	7	28
3,935	4,226	5,493	4,431	18,085	4,141	4,384	5,027	4,592	18,144

INCOME, BY QUARTERS, 1952-1954  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
312	381	291	303	1,287	298	356	313	323	1,290
19	17	20	17	73	17	17	19	24	77
26	18	11	16	71	23	15	9	12	59
357	416	322	336	1,431	338	388	341	359	1,426
1,881	2,075	2,104	2,511	8,571	1,942	2,149	2,158	2,598	8,847
426	514	411	444	1,795	395	475	396	416	1,682
1,167	1,194	1,139	1,249	4,749	1,229	1,278	1,220	1,325	5,052
3,474	3,783	3,654	4,204	15,115	3,566	3,902	3,774	4,339	15,581
373	211	635	269	1,488	432	178	478	193	1,281
-269	-184	882	-378	51	-195	-84	434	-299	-144
104	27	1,517	-109	1,539	237	94	912	-106	1,137
3,935	4,226	5,493	4,431	18,085	4,141	4,384	5,027	4,592	18,144
(3,578)	(3,810)	(5,171)	(4,095)	(16,654)	(3,803)	(3,996)	(4,686)	(4,233)	(16,718)

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL  
SEASONALLY ADJUSTED  
(millions)

	I	II	1 9 5 2 III	IV	Year
1. Wages, Salaries and Supplementary Labour Income...	10,536	10,620	10,860	11,256	10,818
2. Military Pay and Allowances.....	240	268	276	296	270
3. Investment Income.....	3,660	3,632	3,756	3,884	3,733
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	2,088	1,780	1,752	1,812	1,858
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	1,488	1,564	1,588	1,660	1,575
6. NET NATIONAL INCOME AT FACTOR COST.....	18,012	17,864	18,232	18,908	18,254
7. Indirect Taxes less Subsidies.....	2,664	2,624	2,792	2,776	2,714
8. Depreciation Allowances and Similar Business Costs	2,028	2,092	2,136	2,204	2,115
9. Residual Error of Estimate.....	180	240	-	56	119
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	22,884	22,820	23,160	23,944	23,202
11. (Gross National Product at Market Prices exclud- ing Accrued Net Income of Farm Operators).....	(20,796)	(21,040)	(21,408)	(22,132)	(21,244)

## Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	I	II	1 9 5 2 III	IV	Year
1. Personal Expenditure on Consumer Goods and Services.....	13,940	14,212	14,504	14,796	14,363
2. Government Expenditure on Goods and Services <sup>1</sup> ....	4,252	4,188	4,164	4,432	4,259
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	668	728	812	936	786
4. New Non-Residential Construction.....	1,500	1,516	1,576	1,624	1,554
5. New Machinery and Equipment.....	1,800	1,940	1,956	1,968	1,916
6. Change in Inventories.....	420	84	104	472	270
7. (Business Inventories only) <sup>3</sup> .....	(-236)	(-344)	(-8)	(352)	(-59)
8. Exports of Goods and Services.....	5,648	5,576	5,484	5,584	5,573
9. Deduct: Imports of Goods and Services.....	-5,160	-5,184	-5,444	-5,812	-5,400
10. Residual Error of Estimate.....	-184	-240	4	-56	-119
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	22,884	22,820	23,160	23,944	23,202

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excludes grain in commercial channels and farm inventories.

PRODUCT, BY QUARTERS, 1952-1954  
AT ANNUAL RATES  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
11,408	11,672	11,728	11,836	11,661	11,700	11,816	11,964	12,120	11,900
280	308	316	332	309	332	368	380	388	367
3,896	3,872	3,732	3,600	3,775	3,676	3,720	3,700	3,740	3,709
1,652	1,412	1,680	1,852	1,649	1,280	1,024	1,060	1,092	1,114
1,712	1,688	1,672	1,696	1,692	1,620	1,604	1,656	1,700	1,645
18,948	18,952	19,128	19,316	19,086	18,608	18,532	18,760	19,040	18,735
2,820	2,936	2,988	2,856	2,900	2,916	2,944	2,924	2,868	2,913
2,244	2,356	2,380	2,476	2,364	2,372	2,504	2,496	2,588	2,490
160	-52	144	12	66	12	-280	-264	-80	-153
24,172	24,192	24,640	24,660	24,416	23,908	23,700	23,916	24,416	23,985
(22,520)	(22,780)	(22,960)	(22,808)	(22,767)	(22,628)	(22,676)	(22,856)	(23,324)	(22,871)

BY QUARTERS, 1952-1954  
AT ANNUAL RATES  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
14,940	14,960	15,204	15,356	15,115	15,320	15,516	15,660	15,828	15,581
4,368	4,384	4,492	4,204	4,362	4,360	4,212	4,468	4,400	4,360
1,004	984	1,092	1,164	1,061	1,084	1,012	1,200	1,340	1,159
1,568	1,640	1,840	1,776	1,706	1,676	1,640	1,716	1,672	1,676
2,148	2,104	2,220	1,820	2,073	1,760	1,748	1,700	1,636	1,711
732	556	308	824	605	168	-400	-724	36	-230
(332)	(616)	(328)	(360)	(409)	(256)	(-296)	(-392)	(140)	(-73)
5,316	5,564	5,648	5,152	5,420	5,000	5,144	5,192	5,200	5,134
-5,740	-6,056	-6,020	-5,624	-5,860	-5,452	-5,452	-5,560	-5,772	-5,559
-164	56	-144	-12	-66	-8	280	264	76	153
24,172	24,192	24,640	24,660	24,416	23,908	23,700	23,916	24,416	23,985



TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	I	II	1 9 5 III	2 IV	Year
1. Wages, Salaries and Supplementary Labour Income...	10,536	10,620	10,860	11,256	10,818
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-340	-360	-352	-380	-358
3. Military Pay and Allowances.....	240	268	276	296	270
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,944	1,644	1,512	2,340	1,860
5. Net Income of Non-Farm Unincorporated Business....	1,488	1,564	1,588	1,660	1,575
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,552	1,568	1,580	1,592	1,573
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,268	1,352	1,392	1,412	1,356
8. Charitable Contributions by Corporations.....	24	28	28	24	26
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	25
10. PERSONAL INCOME.....	16,736	16,708	16,908	18,228	17,145

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	I	II	1 9 5 III	2 IV	Year
Personal Direct Taxes:					
1. Income Taxes.....	1,052	1,172	1,236	1,248	1,177
2. Succession Duties.....	84	72	60	76	73
3. Miscellaneous.....	72	68	68	72	70
4. Total Personal Direct Taxes.....	1,208	1,312	1,364	1,396	1,320
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	8,248	8,256	8,420	8,540	8,366
6. Durable Goods.....	1,428	1,556	1,640	1,736	1,590
7. Services <sup>1</sup> .....	4,264	4,400	4,444	4,520	4,407
8. Total Personal Expenditure on Consumer Goods and Services.....	13,940	14,212	14,504	14,796	14,363
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.	1,204	1,092	812	1,792	1,225
10. Farm Inventory Change.....	384	92	228	244	237
11. Total Personal Saving.....	1,588	1,184	1,040	2,036	1,462
12. PERSONAL INCOME.....	16,736	16,708	16,908	18,228	17,145
13. (Personal Disposable Income) <sup>2</sup> .....	(15,528)	(15,396)	(15,544)	(16,832)	(15,825)

Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1952-1954  
AT ANNUAL RATES  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
11,408	11,672	11,728	11,836	11,661	11,700	11,816	11,964	12,120	11,900
-376	-392	-392	-400	-390	-376	-404	-396	-404	-395
280	308	316	332	309	332	368	380	388	367
1,468	1,516	1,528	1,952	1,616	1,220	1,000	956	1,260	1,109
1,712	1,688	1,672	1,696	1,692	1,620	1,604	1,656	1,700	1,645
1,660	1,652	1,780	1,640	1,683	1,812	1,900	1,936	1,812	1,865
1,444	1,444	1,448	1,508	1,461	1,608	1,608	1,564	1,624	1,601
24	28	28	20	25	20	28	24	24	24
24	28	28	32	28	28	28	28	28	28
17,644	17,944	18,136	18,616	18,085	17,964	17,948	18,112	18,552	18,144

INCOME, BY QUARTERS, 1952-1954  
AT ANNUAL RATES  
of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
1,236	1,352	1,296	1,264	1,287	1,176	1,256	1,384	1,344	1,290
76	68	80	68	73	68	68	76	96	77
76	72	64	72	71	72	60	52	52	59
1,388	1,492	1,440	1,404	1,431	1,316	1,384	1,512	1,492	1,426
8,444	8,528	8,640	8,672	8,571	8,696	8,836	8,836	9,020	8,847
1,884	1,736	1,776	1,784	1,795	1,760	1,632	1,716	1,620	1,682
4,612	4,696	4,788	4,900	4,749	4,864	5,048	5,108	5,188	5,052
14,940	14,960	15,204	15,356	15,115	15,320	15,516	15,660	15,828	15,581
1,336	1,600	1,612	1,404	1,488	1,572	1,356	1,036	1,160	1,281
-20	-108	-120	452	51	-244	-308	-96	72	-144
1,316	1,492	1,492	1,856	1,539	1,328	1,048	940	1,232	1,137
17,644	17,944	18,136	18,616	18,085	17,964	17,948	18,112	18,552	18,144
(16,256)	(16,452)	(16,696)	(17,212)	(16,654)	(16,648)	(16,564)	(16,600)	(17,060)	(16,718)

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED FOR  
(millions)

	I	II	1 9 5 2 III IV	Year
1. Personal Expenditure on Consumer Goods and Services.....	2,727	3,063	2,990 3,454	12,234
2. Non-Durable Goods.....	1,566	1,753	1,819 2,165	7,303
3. Durable Goods.....	268	391	335 384	1,378
4. Services.....	893	919	836 905	3,553
5. Government Expenditure on Goods and Services.....	900	715	903 964	3,482
Gross Domestic Investment:				
6. New Residential Construction.....	102	162	181 190	635
7. New Non-Residential Construction.....	241	302	356 324	1,223
8. New Machinery and Equipment.....	367	477	399 383	1,626
9. Change in Inventories.....	-243	-231	1,405 -487	444
10. (Business Inventories only).....	(-14)	(64)	(63) (-71)	(42)
11. Exports of Goods and Services.....	1,046	1,221	1,264 1,332	4,863
12. Deduct: Imports of Goods and Services.....	-1,045	-1,231	-1,249 -1,349	-4,874
13. Residual Error of Estimate.....	-3	-26	-15 -55	-99
14. GROSS NATIONAL EXPENDITURE.....	4,092	4,452	6,234 4,756	19,534

## Footnote:

1. See footnotes, Table 2.

TABLE 10. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1952-1954  
SAVING  
(millions of dollars)

	1952	1953	1954
1. Personal Saving.....	1,462	1,539	1,137
2. Gross Business Saving:			
(a) Undistributed corporation profits .....	624	733	587
(b) Depreciation allowances and similar business costs.....	2,115	2,364	2,490
(c) Net bad debt losses of corporations <sup>1</sup> .....	-25	-28	-28
(d) Adjustment on grain transactions.....	-2	33	5
(e) Inventory valuation adjustment (n.e.i.).....	5	5	-1
3. Government Surplus (+) or Deficit (-) <sup>2</sup> .....	282	227	7
4. Residual Error of Estimate.....	119	66	-153
5. TOTAL.....	4,580	4,939	4,044

1. Since these are included in both personal saving (item 1) and depreciation allowances and similar business costs (2b), they are deducted here to avoid double counting.
2. Includes surplus (or deficit) of federal, provincial and municipal governments, adjusted to National Accounts definitions.



CONSTANT DOLLARS, BY QUARTERS, 1952-1954  
SEASONALITY<sup>1</sup>  
(of dollars)

1 9 5 3					1 9 5 4				
I	II	III	IV	Year	I	II	III	IV	Year
2,965	3,251	3,100	3,570	12,886	3,009	3,287	3,150	3,647	13,093
1,681	1,873	1,877	2,241	7,672	1,744	1,936	1,926	2,331	7,937
372	450	363	393	1,578	348	418	353	372	1,491
912	928	860	936	3,636	917	933	871	944	3,665
928	697	939	884	3,448	857	658	906	902	3,323
150	215	236	231	832	161	220	258	265	904
236	312	397	346	1,291	250	313	376	333	1,272
443	499	434	366	1,742	358	421	336	307	1,422
-151	-90	1,270	-445	584	-139	-138	525	-445	-197
(115)	(216)	(62)	(-59)	(334)	(135)	(27)	(-38)	(-4)	(120)
1,019	1,252	1,337	1,257	4,865	989	1,150	1,260	1,256	4,655
-1,222	-1,445	-1,353	-1,293	-5,313	-1,154	-1,292	-1,243	-1,337	-5,026
-5	56	-40	-65	-54	47	74	35	-32	124
4,363	4,747	6,320	4,851	20,281	4,378	4,693	5,603	4,896	19,570

TABLE 11. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1952-1954  
INVESTMENT  
(millions of dollars)

	1952	1953	1954
1. Gross Domestic Investment <sup>1</sup> :			
(a) New residential construction.....	786	1,061	1,159
(b) New non-residential construction.....	1,554	1,706	1,676
(c) New machinery and equipment.....	1,916	2,073	1,711
(d) Change in inventories.....	270	605	-230
2. Net Foreign Investment:			
(a) U.S.A.....	-810	-891	-425
(b) U.K. and other Sterling Area.....	492	219	
(c) Other countries.....	491	232	
3. Residual Error of Estimate.....	-119	-66	153
4. TOTAL.....	4,580	4,939	4,044

1. See footnote 2, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, see Table 15.

TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1952-1954  
REVENUE  
(millions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
1. Direct Taxes — Persons.....	1,320	1,431	1,426
2. Federal.....	1,223	1,329	1,319
3. Provincial and Municipal.....	97	102	107
4. Direct Taxes — Corporations.....	1,386	1,209	1,154
Income and Profits Taxes			
5. Federal.....	1,232	1,150	1,090
6. Provincial.....	154	59	64
Withholding Taxes			
7. Federal.....	55	54	58
8. Indirect Taxes.....	2,814	3,009	3,001
9. Federal.....	1,595	1,697	1,612
10. Provincial and Municipal.....	1,219	1,312	1,389
11. Investment Income.....	533	558	562
12. Federal.....	218	226	222
13. Provincial and Municipal.....	315	332	340
14. Employer and Employee Contributions to Social Insurance and Pension Funds.....	358	390	395
15. Federal.....	230	253	255
16. Provincial and Municipal.....	128	137	140
Transfers from Other Governments			
17. Provincial and Municipal.....	368	412	430
18. Total Revenue.....	6,834	7,063	7,026
19. Federal.....	4,553	4,709	4,556
20. Provincial and Municipal.....	2,281	2,354	2,470
21. Deficit (+) or Surplus (-) <sup>1</sup> .....	-282	-227	-7
22. Federal.....	-219	-178	+16
23. Provincial and Municipal.....	-63	-49	-23
24. Total Revenue plus Deficit (or minus Surplus).....	6,552	6,836	7,019
25. Federal.....	4,334	4,531	4,572
26. Provincial and Municipal.....	2,218	2,305	2,447

1. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1952-1954EXPENDITURE  
(millions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
1. Goods and Services.....	4,259	4,362	4,360
2. Federal <sup>1</sup> .....	2,470	2,526	2,412
3. Provincial and Municipal.....	1,789	1,836	1,948
4. Transfer Payments.....	1,825	1,953	2,141
5. Federal.....	1,400	1,487	1,645
6. Provincial and Municipal.....	425	466	496
7. Subsidies.....	100	109	88
8. Federal.....	96	106	85
9. Provincial and Municipal.....	4	3	3
Transfers to Other Governments			
10. Federal.....	368	412	430
11. Total Expenditure.....	6,552	6,836	7,019
12. Federal.....	4,334	4,531	4,572
13. Provincial and Municipal.....	2,218	2,305	2,447

1. Includes defence expenditure of \$1,800 million in 1952; \$1,907 million in 1953; and \$1,728 million in 1954.

TABLE 14. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), BY INDUSTRY<sup>1</sup>, 1952-1954  
(millions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
1. Agriculture.....)	555	546	393
Fishing and Trapping.....)			
2. Forestry.....	39	34	41
3. Mining, Quarrying and Oil Wells.....	211	257	249
4. Manufacturing.....	973	969	795
5. Construction.....	73	91	66
6. Transportation, Storage and Communication.....)	1,156	1,206	1,110
Public Utility Operation.....)			
7. Trade.....	197	330	357
8. Finance, Insurance and Real Estate <sup>2</sup> .....	837	1,139	1,270
9. Service <sup>3</sup> .....	215	268	265
10. TOTAL.....	4,256	4,840	4,546

1. This Table is derived from "Private and Public Investment in Canada, Outlook, 1954" and "Private and Public Investment in Canada, Outlook, 1955" (Department of Trade and Commerce); adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15.
2. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, Line 3.
3. Excludes government departmental expenditures, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.



TABLE 15. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), 1952-1954  
RECONCILIATION STATEMENT  
 (millions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	5,285	5,841	5,498
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> .....	-40	-23	-10
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> .....	-883	-875	-849
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup> ,...	-106	-103	-93
5. Total Gross Domestic Investment (excluding inventories) (1-2-3-4)= (6+7+8).....	4,256	4,840	4,546
6. New Residential Construction <sup>4</sup> .....	786	1,061	1,159
7. New Non-Residential Construction <sup>4</sup> .....	1,554	1,706	1,676
8. New Machinery and Equipment <sup>4</sup> .....	1,916	2,073	1,711

1. As presented in the publications "Private and Public Investment in Canada, Outlook, 1954" and "Private and Public Investment in Canada, Outlook, 1955", Department of Trade and Commerce.
2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint Federal-Provincial housing (Section 46, N.H.A.).
3. Included in "Government Expenditure on Goods and Services", line 2, Table 2.
4. See also lines 3, 4 and 5, Table 2.

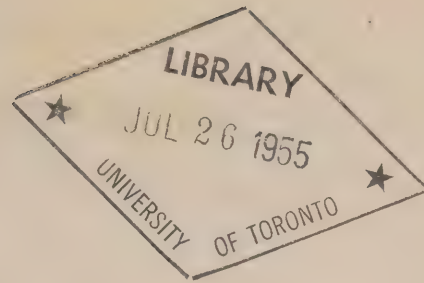
TABLE 16. ANALYSIS AND RECONCILIATION OF EXPORTS AND IMPORTS, 1952-1954  
 (millions of dollars)

	<u>1952</u>	<u>1953</u>	<u>1954</u>
Exports of Goods and Services:			
1. Merchandise Exports <sup>1</sup> .....	4,339	4,152	3,929
2. Gold available for Export <sup>1</sup> .....	150	144	155
3. Receipts from Services rendered to Non-Residents (including dividends and interest received from abroad).....	1,169	1,216	1,141
4. Subtotal: "Current Receipts" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,658	5,512	5,225
5. Adjustments <sup>2</sup> .....	-85	-92	-91
6. Total "Exports of Goods and Services" as per National Accounts <sup>3</sup> ...	5,573	5,420	5,134
Imports of Goods and Services:			
7. Merchandise Imports <sup>1</sup> .....	3,850	4,209	3,920
8. Payments for Services rendered by Non-Residents (including interest and dividends paid abroad).....	1,644	1,742	1,732
9. Subtotal: "Current Payments" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,494	5,951	5,652
10. Adjustments <sup>2</sup> .....	-94	-91	-93
11. Total "Imports of Goods and Services" as per National Accounts <sup>3</sup> ...	5,400	5,860	5,559

1. As presented in reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics). Excludes Mutual Aid to N.A.T.O. Countries 1952-1954.
2. Migrants' funds and inheritances.
3. See also Table 2.

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**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**First Quarter**  
**1955**

*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

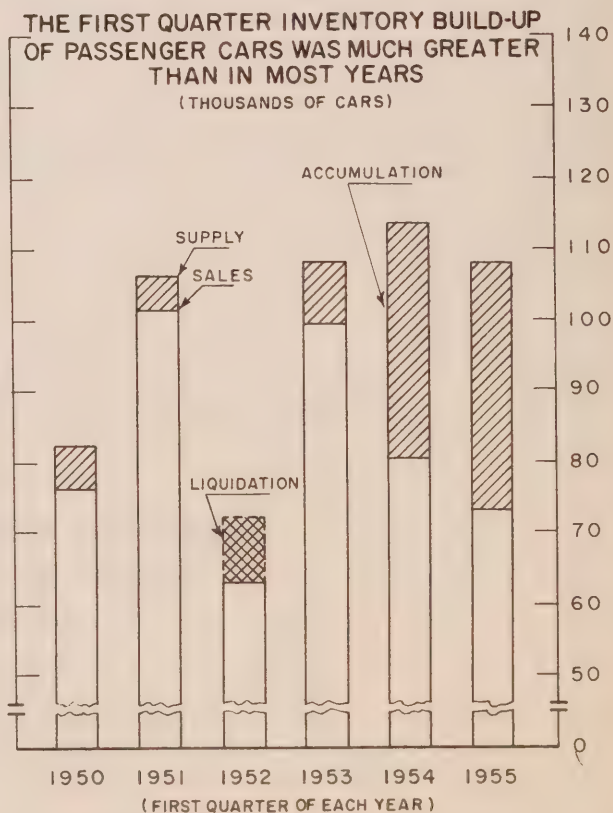
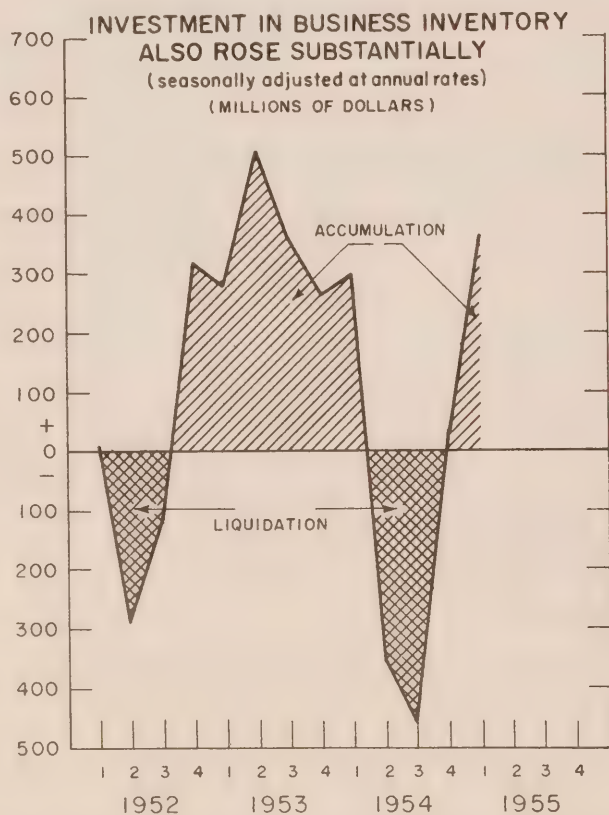
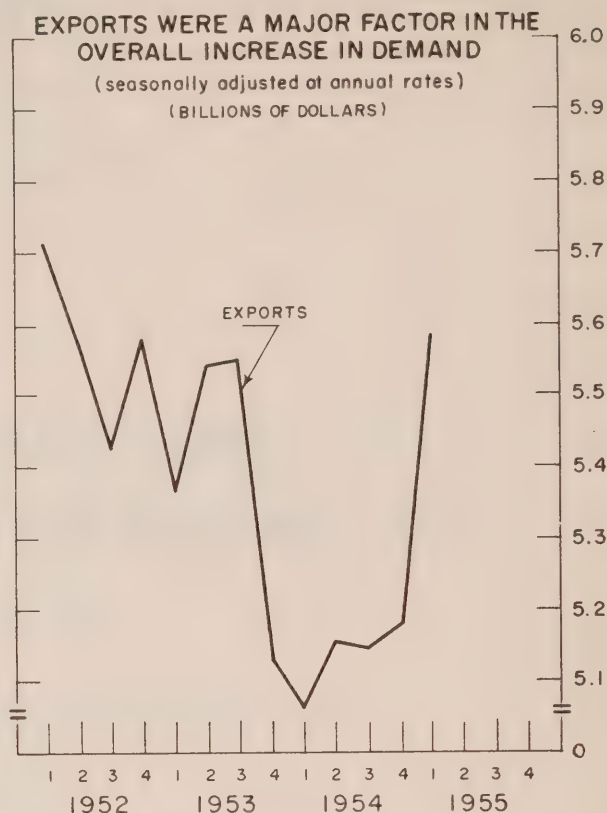
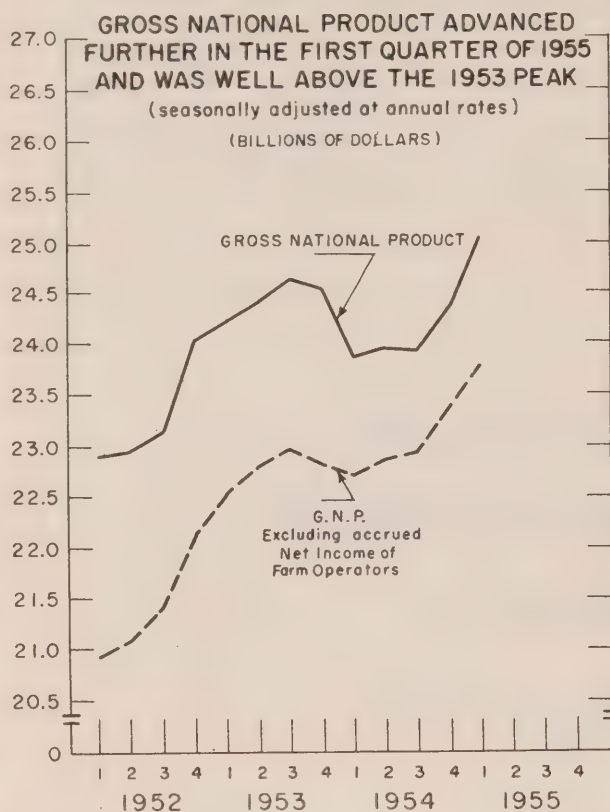
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## SELECTED COMPONENTS OF INCOME AND EXPENDITURE





## INTRODUCTORY REVIEW

This report includes revised quarterly and annual data  
for the years 1952, 1953 and 1954

Gross National Product showed a further advance in the first quarter of 1955, as the upturn in business activity which began in the second half of last year continued. Seasonally adjusted at annual rates, the value of the nation's total production of goods and services is estimated to have amounted to \$25.0 billion, an increase of 3 per cent over the fourth quarter of 1954, and 4 per cent above the average of \$24.0 billion for the year 1954 as a whole. These gains over last year include an allowance for an estimated higher crop production in 1955 and are thus subject to partial qualification<sup>1</sup>. About 1 percentage point of the above noted increases, or \$200 million is attributable to this factor.

In the non-farm sector of the economy, the expansion in activity which began last year brought the level of non-farm production in the first quarter to a point about 2 per cent above last year's peak fourth quarter level. Seasonally adjusted at annual rates, the increase in Gross National Product excluding accrued net income of farm operators amounted to about \$400 million<sup>2</sup>. Related indicators suggest that, after allowing for seasonal factors, about one-half of the production gain in the first quarter occurred in manufacturing, with the major increases in transportation equipment, iron and steel products and wood products. Non-durable manufacturing production also rose from the fourth to the first quarter, as major gains occurred in foods and beverages and in rubber products. Among the primary industries, mining and forestry output expanded further, while production in the service industries showed a continuation of previous gains.

It will be recalled that the decline in total non-farm output between 1953 and 1954 was concentrated in manufacturing production. While the upturn in manufacturing output from the fourth quarter of 1954 to the first quarter of this year was of major importance in the total production increase, it should be noted that the level of manufacturing output was still only 2 per cent above that of the first quarter of 1954. However, production in the primary industries group has shown a relatively much larger increase, with the gain in mining, quarrying and oil wells amounting to approximately 16 per cent over a year ago. Gains in

- 
1. In the seasonally adjusted figures of Gross National Product given in this report, the estimated value of crop production is distributed evenly across the four calendar quarters of the year. The estimate of crop production for the first quarter of 1955 is made on the basis of ten year average yields, current acreage intentions, and initial prices. The figure is therefore subject to revision as later information on the crop outlook becomes available, and when the actual yield is first determined.
  2. It may be noted that these figures are only approximately representative of movements in the non-farm sector since they include a number of small and stable components of Gross National Product originating in agriculture e.g. wages, interest, rents and depreciation.

the service industries, while less substantial than those in the primary group, were nevertheless higher than in manufacturing production.

The combined effect of these gains over a year ago has been to bring the level of non-agricultural output to a point more than 3 per cent above the third quarter of 1953, which was the high point prior to the recent downturn in industrial activity. It is interesting to note that in the United States, Gross National Product has expanded sharply in recent quarters, although the first quarter of 1955 was just at the level of the previous peak in the second quarter of 1953.

#### National Income and Gross National Product

Wages, salaries and supplementary labour income, seasonally adjusted, amounted to \$12.3 billion in the first quarter of 1955, nearly 1 per cent higher than the last quarter of 1954. The largest increase from the fourth to the first quarter occurred in the manufacturing group. The remainder of the gain was almost entirely attributable to increases in the service industries. Taking labour income as a whole, the gains in the first quarter of 1955 brought the total of labour income to a point about 4.5 per cent above the first quarter of the year 1954. Accompanying this increase over a year ago, paid workers with jobs were up by nearly 1.5 per cent, and average weekly earnings in the main non-agricultural industries were up by approximately 3 per cent. Average hours worked per week in manufacturing showed an increase of about 1 per cent in the first quarter of 1955 compared with the same period of 1954.

Investment income, seasonally adjusted, rose moderately in the first quarter over the last quarter of 1954. Corporation profits before taxes, after having remained comparatively level throughout most of 1954, showed a moderate gain. The largest increases were in the mining and durable manufacturing groups. Net residential rents was the other major component of investment income to show a gain in the first quarter. The increases in these two important components of investment income, however, were partially offset by the payment of higher dividends to non-residents, which are deducted from investment income.

Compared with the first quarter of 1954, total investment income was about 7 per cent higher in the first quarter of this year.

Accrued net income of farm operators from farm production, seasonally adjusted, is computed on the basis of a normal yield estimate of crop production (see footnote 1, page 1) and this accounts for the major part of the increase shown from the fourth to first quarter.

Indirect taxes less subsidies, seasonally adjusted, showed a substantial gain in the first quarter of 1955 over the fourth quarter of last year, as federal excise tax collections and customs import duties rose sharply. These increases were related to higher production of durable goods, a moderate increase in consumer outlays for durables, a build-up of business inventories (especially automobiles), and a higher level of imports. Relative to the first quarter of 1954, indirect taxes less subsidies were higher by about 5 per cent.



### Gross National Expenditure

The expansion of business activity from the fourth to the first quarter was accompanied by a build-up of business inventories and a sharp rise in merchandise exports, on the seasonally adjusted basis. Apart from these two expenditure categories, other major components of demand in the first quarter were relatively stable. Approximately half of the inventory build-up (seasonally adjusted) in the first quarter appears to have been in automobiles, production of which was a major factor in the upturn in manufacturing activity. The gains in merchandise exports in the first quarter were generally widespread and affected most of the major categories in the export group. In particular, exports of agricultural products, wood and wood products, iron and its products, non-ferrous metals and chemicals showed major gains from the fourth to the first quarter, after allowing for seasonal factors. As has been noted, this rise in export demand was accompanied by gains in production in durable manufacturing, forestry and mining.

Personal expenditure on consumer goods and services showed little change in total from the fourth to the first quarter (seasonally adjusted), but was at an annual rate approximately 2 per cent above the average for the year 1954 as a whole. Durable goods purchases, which had been declining throughout most of 1954, rose by 5 per cent from the fourth to the first quarter, and were at a level only slightly below the first quarter of a year ago. The recent pick-up in durable goods sales was concentrated in automobiles, but purchases of major appliances (including television sets) were also higher in the first quarter. It may be noted that the value of factory shipments of television sets was 25 per cent above that of a year earlier in the first quarter of 1955.

Consumer outlays for non-durable goods dropped fractionally from the fourth to the first quarter, reflecting some decline in purchases of clothing and foot-wear. Outlays for services, which have grown steadily in recent quarters, continued to move upward.

The price components of personal expenditure on consumer goods and services have shown mixed trends since the first quarter of last year, with the prices of services rising by about 4 per cent, and prices of durable and non-durable goods declining by about 1 per cent. Thus, the volume of non-durable goods purchases was up by about 3 per cent over a year ago, with the volume of durable goods purchases showing no change, and the volume of services showing a gain of 4 per cent.

Government expenditure on goods and services was approximately unchanged from the fourth quarter of last year, at an annual rate of \$4.5 billion. This constitutes a gain of about 4 per cent over the first quarter of 1954; in the year-over-year comparison, defence expenditures have remained level (on the National Accounts basis), while federal non-defence expenditures and the total of provincial and municipal expenditures have increased.



Investment in new residential construction in the first quarter was at an annual rate of \$1.3 billion, unchanged from the high fourth quarter level, and 11 per cent above the 1954 annual average. Housing starts and completions in the first quarter were well above any previous first quarter level. Investment in new non-residential construction showed little change from the fourth quarter of last year, and remained below the level of a year ago. Investment in new machinery and equipment showed a modest rise over the fourth quarter.

As previously noted, the build-up of business inventories was a major factor in the increase in output from the fourth to the first quarter. Seasonally adjusted at annual rates, the accumulation of business inventories in the first quarter amounted to about \$0.4 billion. It may be recalled that during the second and third quarters of 1954, a substantial part of final demand was being met through the drawing down of existing inventory stocks, and this development tended to have a restraining effect upon production. The turn-around in business inventories from the third quarter of 1954, to the first quarter of 1955 has amounted to approximately \$0.8 billion (seasonally adjusted at annual rates), or somewhat more than 3 per cent of Gross National Product.

The build-up of business inventories in the first quarter occurred almost wholly at the manufacturing and retail trade levels, with small additions in wholesale trade. The major item in the total build-up was automobile inventories, which accounted for a large share of the accumulation at both the manufacturing and retail trade levels. It is of interest to note that production of passenger vehicles in March, 1955, exceeded shipments from manufacturers by 17,000 units. (Of the total business inventory accumulation of \$0.4 billion at annual rates, it appears that approximately one-half can be attributed to automobiles).

Substantial increases were experienced in both exports and imports of goods and services in the first quarter of 1955. Seasonally adjusted at annual rates, exports rose by 8 per cent over the fourth quarter, while imports showed a gain of 4 per cent.

The gains in exports over the fourth quarter were widespread in the goods group, but little change occurred in services. Sharp increases occurred in exports of wood products, as well as in the major base metals; in the latter case both volume and price gains were contributing factors. It was previously noted that activity in forestry, mining and manufactured wood products was rising in the first quarter of this year. Exports of chemicals were also up significantly. To a considerable extent, the gains in merchandise exports in the first quarter were a reflection of the high levels of economic activity in the United Kingdom and the United States.

On the import side, iron and its products was the only commodity group to show any significant change from the fourth to first quarter. This appears to be related to the increase in automobile production and to the improvement in investment in machinery and equipment. Freight and shipping payments increased in response to the higher volume of imports. Interest and dividend payments also rose sharply.

It is of interest to note the greater volatility in imports of goods in relation to changes in manufacturing activity. From the third quarter of 1953 to the third quarter of 1954, imports of goods declined by 11 per cent, while manufacturing production declined by 5 per cent. From the first quarter of 1954 to the first quarter of this year, imports of goods increased by 4 per cent, while manufacturing activity was 2 per cent higher.

#### Personal Income and Expenditure

Personal income in the first quarter of 1955 was 5 per cent over the corresponding period of a year ago. This gain is approximately the same as that which occurred in total Gross National Product from the first quarter of last year. Higher labour income, government transfer payments, and interest, dividends and net rental income of persons accounted for the major share of this increase; net income of non-farm unincorporated business also showed a small gain relative to last year. As was noted previously, the increase in labour income is attributable to the rise in average weekly earnings and the small increase in employment over a year ago; higher Unemployment Insurance benefits and payments under the Prairie Farm Assistance Act accounted for the major part of the increase in government transfer payments.

Personal direct taxes were approximately 6 per cent above the first quarter of last year, a reflection of higher levels of personal income. As previously noted, personal expenditure on consumer goods and services was approximately 4 per cent above a year ago. The net effect of these various changes was to leave the total of personal saving somewhat higher than a year ago.

As a proportion of personal income, personal saving was about 5 per cent in the first quarter of 1955, only slightly higher than the first quarter of last year.



TABLE 1. NATIONAL INCOME AND GROSS NATIONAL  
(millions)

	1952				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income...	2,567	2,641	2,782	2,878	10,868
2. Military Pay and Allowances.....	60	67	69	74	270
3. Investment Income.....	842	959	1,022	940	3,763
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	110	109	1,414	218	1,851
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	306	418	423	427	1,574
6. NET NATIONAL INCOME AT FACTOR COST.....	3,885	4,194	5,710	4,537	18,326
7. Indirect Taxes less Subsidies.....	646	651	692	725	2,714
8. Depreciation Allowances and Similar Business Costs	487	527	532	574	2,120
9. Residual Error of Estimate.....	28	29	3	35	95
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,046	5,401	6,937	5,871	23,255
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(4,936)	(5,292)	(5,523)	(5,653)	(21,404)

Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE,  
(millions)

	1952				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,230	3,577	3,512	4,047	14,366
2. Government Expenditure on Goods and Services <sup>1,4</sup> ..	1,104	860	1,096	1,185	4,245
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	126	200	223	237	786
4. New Non-Residential Construction.....	303	381	450	420	1,554
5. New Machinery and Equipment.....	438	564	466	448	1,916
6. Change in Inventories.....	-158	-193	1,116	-455	310
7. (Business Inventories only) <sup>3</sup> .....	(23)	(14)	(14)	(-69)	(-18)
8. Exports of Goods and Services.....	1,234	1,409	1,430	1,500	5,573
9. Deduct: Imports of Goods and Services.....	-1,202	-1,368	-1,353	-1,477	-5,400
10. Residual Error of Estimate.....	-29	-29	-3	-34	-95
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,046	5,401	6,937	5,871	23,255

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1952				
I	II	III	IV	Year
511	382	409	498	1,800

1953				
I	II	III	IV	Year
590	401	452	464	1,907

1954				
I	II	III	IV	Year
528	360	399	440	1,727

1955	
I	
522	



PRODUCT, BY QUARTERS, 1952-1955  
of dollars)

1953					1954					1955
I	II	III	IV	Year	I	II	III	IV	Year	I
2,792	2,902	3,003	3,009	11,706	2,855	2,947	3,074	3,113	11,989	2,981
70	77	79	83	309	83	92	95	97	367	93
885	1,024	1,018	873	3,800	843	965	1,002	905	3,715	901
18	83	1,386	166	1,653	42	119	734	163	1,058	21
348	453	447	440	1,688	334	426	445	440	1,645	350
4,113	4,539	5,933	4,571	19,156	4,157	4,549	5,350	4,718	18,774	4,346
691	732	742	736	2,901	716	734	728	736	2,914	749
543	601	603	664	2,411	575	639	630	667	2,511	613
-8	-88	10	67	-19	-42	-100	-46	30	-158	-52
5,339	5,784	7,288	6,038	24,449	5,406	5,822	6,662	6,151	24,041	5,656
(5,321)	(5,701)	(5,902)	(5,872)	(22,796)	(5,364)	(5,703)	(5,928)	(5,988)	(22,983)	(5,635)

BY QUARTERS, 1952-1955  
of dollars)

1953					1954					1955
I	II	III	IV	Year	I	II	III	IV	Year	I
3,475	3,786	3,659	4,205	15,125	3,593	3,925	3,801	4,357	15,676	3,736
1,162	879	1,186	1,132	4,359	1,121	874	1,183	1,183	4,361	1,161
190	273	302	296	1,061	206	283	334	343	1,166	246
311	412	523	460	1,706	335	414	491	436	1,676	327
522	592	520	439	2,073	429	508	402	372	1,711	410
-149	-48	1,126	-380	549	-136	-118	394	-420	-280	-124
(96)	(215)	(132)	(-90)	(353)	(104)	(-1)	(-75)	(-148)	(-120)	(141)
1,154	1,399	1,478	1,369	5,400	1,089	1,278	1,397	1,372	5,136	1,205
-1,335	-1,597	-1,496	-1,415	-5,843	-1,272	-1,442	-1,386	-1,462	-5,562	-1,357
9	88	-10	-68	19	41	100	46	-30	157	52
5,339	5,784	7,288	6,038	24,449	5,406	5,822	6,662	6,151	24,041	5,656

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1952				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income...	2,567	2,641	2,782	2,878	10,868
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-87	-88	-89	-94	-358
3. Military Pay and Allowances.....	60	67	69	74	270
4. Net Income Received by Farm Operators from Farm Production.....	111	78	1,377	316	1,882
5. Net Income of Non-Farm Unincorporated Business....	306	418	423	427	1,574
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	357	401	384	424	1,566
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	379	321	331	329	1,360
8. Charitable Contributions by Corporations.....	6	7	7	7	27
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	25
10. PERSONAL INCOME.....	3,705	3,851	5,290	4,368	17,214

Footnotes:

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1952				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	266	332	279	300	1,177
2. Succession Duties.....	21	18	15	19	73
3. Miscellaneous.....	27	18	12	16	73
4. Total Personal Direct Taxes.....	314	368	306	335	1,323
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	1,831	2,006	2,078	2,459	8,374
6. Durable Goods.....	319	453	381	435	1,588
7. Services.....	1,080	1,118	1,053	1,153	4,404
8. Total Personal Expenditure on Consumer Goods and Services.....	3,230	3,577	3,512	4,047	14,366
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.	329	105	433	421	1,288
10. Farm Inventory Change.....	-168	-199	1,039	-435	237
11. Total Personal Saving.....	161	-94	1,472	-14	1,525
12. PERSONAL INCOME.....	3,705	3,851	5,290	4,368	17,214
13. (Personal Disposable Income) <sup>2</sup> .....	(3,391)	(3,483)	(4,984)	(4,033)	(15,891)

Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1952-1955  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
2,792	2,902	3,003	3,009	11,706	2,855	2,947	3,074	3,113	11,989	2,981	
-94	-97	-99	-100	-390	-96	-99	-99	-101	-395	-102	
70	77	79	83	309	83	92	95	97	367	93	
-2	120	1,308	232	1,658	48	130	709	198	1,085	-1	
348	453	447	440	1,688	334	426	445	440	1,645	350	
391	430	418	430	1,669	422	474	454	475	1,825	467	
423	343	344	350	1,460	473	381	371	376	1,601	522	
7	8	7	6	28	6	8	7	7	28	6	
6	7	7	8	28	6	7	7	8	28	6	
3,941	4,243	5,514	4,458	18,156	4,131	4,366	5,063	4,613	18,173	4,322	

INCOME, BY QUARTERS, 1952-1955  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
312	381	291	303	1,287	298	356	313	323	1,290	310	
19	17	20	17	73	17	17	19	24	77	21	
26	18	11	16	71	23	15	9	12	59	28	
357	416	322	336	1,431	338	388	341	359	1,426	359	
1,883	2,078	2,105	2,512	8,578	1,953	2,160	2,167	2,600	8,880	2,004	
425	512	412	444	1,793	394	474	397	417	1,682	389	
1,167	1,196	1,142	1,249	4,754	1,246	1,291	1,237	1,340	5,114	1,343	
3,475	3,786	3,659	4,205	15,125	3,593	3,925	3,801	4,357	15,676	3,736	
378	225	652	295	1,550	396	137	469	214	1,216	434	
-269	-184	881	-378	50	-196	-84	452	-317	-145	-207	
109	41	1,533	-83	1,600	200	53	921	-103	1,071	227	
3,941	4,243	5,514	4,458	18,156	4,131	4,366	5,063	4,613	18,173	4,322	
(3,584)	(3,827)	(5,192)	(4,122)	(16,725)	(3,793)	(3,978)	(4,722)	(4,254)	(16,747)	(3,963)	



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL  
SEASONALLY ADJUSTED  
(millions)

	1952				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income....	10,572	10,700	10,900	11,300	10,868
2. Military Pay and Allowances.....	240	268	276	296	270
3. Investment Income.....	3,700	3,632	3,736	3,984	3,763
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,964	1,856	1,700	1,884	1,851
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> ..	1,464	1,584	1,588	1,660	1,574
6. NET NATIONAL INCOME AT FACTOR COST.....	17,940	18,040	18,200	19,124	18,326
7. Indirect Taxes less Subsidies.....	2,668	2,640	2,752	2,796	2,714
8. Depreciation Allowances and Similar Business Costs.	2,056	2,096	2,136	2,192	2,120
9. Residual Error of Estimate.....	252	176	36	-84	95
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	22,916	22,952	23,124	24,028	23,255
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(20,952)	(21,096)	(21,424)	(22,144)	(21,404)

Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1952				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services	13,876	14,244	14,560	14,784	14,366
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,164	4,184	4,180	4,452	4,245
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	672	776	804	892	786
4. New Non-Residential Construction.....	1,500	1,516	1,576	1,624	1,554
5. New Machinery and Equipment.....	1,800	1,940	1,956	1,968	1,916
6. Change in Inventories.....	608	52	72	508	310
7. (Business Inventories only) <sup>3</sup> .....	(8)	(-292)	(-108)	(320)	(-18)
8. Exports of Goods and Services.....	5,712	5,572	5,428	5,580	5,573
9. Deduct: Imports of Goods and Services.....	-5,168	-5,152	-5,416	-5,864	-5,400
10. Residual Error of Estimate.....	-248	-180	-36	84	-95
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	22,916	22,952	23,124	24,028	23,255

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excludes grain in commercial channels and farm inventories.

PRODUCT, BY QUARTERS, 1952-1955  
AT ANNUAL RATES  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
11,508	11,736	11,776	11,804	11,706	11,768	11,936	12,080	12,172	11,989	12,280	
280	308	316	332	309	332	368	380	388	367	372	
3,916	3,884	3,728	3,672	3,800	3,668	3,708	3,656	3,828	3,715	3,912	
1,652	1,596	1,640	1,724	1,653	1,148	1,068	1,008	1,008	1,058	1,248	
1,696	1,700	1,664	1,692	1,688	1,616	1,624	1,652	1,688	1,645	1,688	
19,052	19,224	19,124	19,224	19,156	18,532	18,704	18,776	19,084	18,774	19,500	
2,868	2,964	2,940	2,832	2,901	2,904	2,984	2,884	2,884	2,914	3,048	
2,288	2,392	2,424	2,540	2,411	2,420	2,544	2,536	2,544	2,511	2,580	
12	-184	144	-48	-19	16	-272	-248	-128	-158	-88	
24,220	24,396	24,632	24,548	24,449	23,872	23,960	23,948	24,384	24,041	25,040	
(22,568)	(22,800)	(22,992)	(22,824)	(22,796)	(22,724)	(22,892)	(22,940)	(23,376)	(22,983)	(23,792)	

BY QUARTERS, 1952-1955  
AT ANNUAL RATES  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
14,936	14,988	15,228	15,348	15,125	15,376	15,600	15,812	15,916	15,676	15,976	
4,260	4,400	4,540	4,236	4,359	4,224	4,312	4,472	4,436	4,361	4,452	
1,004	1,052	1,080	1,108	1,061	1,084	1,092	1,200	1,288	1,166	1,288	
1,568	1,640	1,840	1,776	1,706	1,676	1,640	1,716	1,672	1,676	1,636	
2,148	2,104	2,220	1,820	2,073	1,772	1,756	1,708	1,608	1,711	1,692	
672	496	308	720	549	172	-428	-808	-56	-280	336	
(280)	(508)	(360)	(264)	(353)	(300)	(-356)	(-460)	(36)	(-120)	(364)	
5,368	5,548	5,552	5,132	5,400	5,060	5,156	5,148	5,180	5,136	5,588	
-5,728	-6,012	-5,992	-5,640	-5,843	-5,472	-5,440	-5,548	-5,788	-5,562	-6,020	
-8	180	-144	48	19	-20	272	248	128	157	92	
24,220	24,396	24,632	24,548	24,449	23,872	23,960	23,948	24,384	24,041	25,040	

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1952				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income...	10,572	10,700	10,900	11,300	10,868
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-348	-352	-356	-376	-358
3. Military Pay and Allowances.....	240	268	276	296	270
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,924	1,704	1,528	2,372	1,882
5. Net Income of Non-Farm Unincorporated Business....	1,464	1,584	1,588	1,660	1,574
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,508	1,540	1,568	1,648	1,566
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,280	1,352	1,392	1,416	1,360
8. Charitable Contributions by Corporations.....	24	28	28	28	27
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	25
10. PERSONAL INCOME.....	16,688	16,848	16,948	18,372	17,214

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1952				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	1,052	1,172	1,236	1,248	1,177
2. Succession Duties.....	84	72	60	76	73
3. Miscellaneous.....	76	72	72	72	73
4. Total Personal Direct Taxes.....	1,212	1,316	1,368	1,396	1,323
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	8,220	8,264	8,468	8,544	8,374
6. Durable Goods.....	1,392	1,588	1,656	1,716	1,588
7. Services <sup>1</sup> .....	4,264	4,392	4,436	4,524	4,404
8. Total Personal Expenditure on Consumer Goods and Services.....	13,876	14,244	14,560	14,784	14,366
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.	1,216	1,184	784	1,968	1,288
10. Farm Inventory Change.....	384	104	236	224	237
11. Total Personal Saving.....	1,600	1,288	1,020	2,192	1,525
12. PERSONAL INCOME.....	16,688	16,848	16,948	18,372	17,214
13. (Personal Disposable Income) <sup>2</sup> .....	(15,476)	(15,532)	(15,580)	(16,976)	(15,891)

Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.



INCOME BY QUARTERS, 1952-1955  
AT ANNUAL RATES  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
11,508	11,736	11,776	11,804	11,706	11,768	11,936	12,080	12,172	11,989	12,280	
-372	-388	-396	-404	-390	-376	-396	-404	-404	-395	-400	
280	308	316	332	309	332	368	380	388	367	372	
1,500	1,720	1,508	1,904	1,658	1,172	1,112	908	1,148	1,085	1,164	
1,696	1,700	1,664	1,692	1,688	1,616	1,624	1,652	1,688	1,645	1,688	
1,640	1,644	1,696	1,696	1,669	1,760	1,812	1,840	1,888	1,825	1,952	
1,436	1,444	1,448	1,512	1,460	1,608	1,608	1,564	1,624	1,601	1,776	
28	32	28	24	28	28	28	28	28	28	24	
28	28	28	28	28	28	28	28	28	28	28	
17,744	18,224	18,068	18,588	18,156	17,936	18,120	18,076	18,560	18,173	18,884	

INCOME, BY QUARTERS, 1952-1955  
AT ANNUAL RATES  
of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
1,236	1,352	1,296	1,264	1,287	1,264	1,228	1,352	1,316	1,290	1,316	
76	68	80	68	73	68	68	76	96	77	84	
72	72	68	72	71	64	60	56	56	59	76	
1,384	1,492	1,444	1,404	1,431	1,396	1,356	1,484	1,468	1,426	1,476	
8,460	8,508	8,656	8,688	8,578	8,720	8,860	8,912	9,028	8,880	8,964	
1,856	1,780	1,788	1,748	1,793	1,728	1,656	1,728	1,616	1,682	1,696	
4,620	4,700	4,784	4,912	4,754	4,928	5,084	5,172	5,272	5,114	5,316	
14,936	14,988	15,228	15,348	15,125	15,376	15,600	15,812	15,916	15,676	15,976	
1,396	1,712	1,592	1,500	1,550	1,384	1,376	888	1,216	1,216	1,496	
28	32	-196	336	50	-220	-212	-108	-40	-145	-64	
1,424	1,744	1,396	1,836	1,600	1,164	1,164	780	1,176	1,071	1,432	
17,744	18,224	18,068	18,588	18,156	17,936	18,120	18,076	18,560	18,173	18,884	
(16,360)	(16,732)	(16,624)	(17,184)	(16,725)	(16,540)	(16,764)	(16,592)	(17,092)	(16,747)	(17,408)	

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED FOR  
(millions)

	1952				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	2,725	3,056	2,995	3,461	12,237
2. Non-Durable Goods.....	1,567	1,755	1,821	2,165	7,308
3. Durable Goods.....	268	391	335	384	1,378
4. Services.....	890	910	839	912	3,551
5. Government Expenditure on Goods and Services.....	901	706	897	958	3,462
Gross Domestic Investment:					
6. New Residential Construction.....	102	162	181	190	635
7. New Non-Residential Construction.....	241	302	356	324	1,223
8. New Machinery and Equipment.....	367	476	399	384	1,626
9. Change in Inventories.....	-225	-226	1,400	-466	483
10. (Business Inventories only).....	(9)	(73)	(50)	(-50)	(82)
11. Exports of Goods and Services.....	1,048	1,224	1,266	1,334	4,872
12. Deduct: Imports of Goods and Services.....	-1,045	-1,231	-1,249	-1,349	-4,874
13. Residual Error of Estimate.....	-24	-24	-2	-29	-79
14. GROSS NATIONAL EXPENDITURE.....	4,090	4,445	6,243	4,807	19,585

## Footnote:

1. See footnotes, Table 2.

CONSTANT DOLLARS, BY QUARTERS, 1952-1955  
 SEASONALITY<sup>1</sup>  
 of dollars)

1953					1954					1955	
I	II	III	IV	Year	I	II	III	IV	Year	I	
2,975	3,257	3,110	3,585	12,927	3,047	3,327	3,199	3,689	13,262	3,139	
1,682	1,875	1,878	2,242	7,677	1,753	1,946	1,938	2,337	7,974	1,811	
372	449	362	393	1,576	347	418	353	373	1,491	348	
921	933	870	950	3,674	947	963	908	979	3,797	980	
928	698	934	883	3,443	859	660	907	898	3,324	868	
150	215	236	231	832	162	222	260	266	910	190	
236	312	397	346	1,291	250	313	376	333	1,272	243	
440	496	431	363	1,730	359	423	337	307	1,426	339	
-176	-132	1,289	-426	555	-159	-154	545	-517	-285	-218	
(90)	(174)	(81)	(-50)	(295)	(115)	(11)	(-40)	(-137)	(-51)	(91)	
1,017	1,255	1,337	1,247	4,856	990	1,151	1,264	1,260	4,665	1,088	
-1,220	-1,442	-1,352	-1,283	-5,297	-1,159	-1,298	-1,250	-1,331	-5,038	-1,223	
7	73	-8	-56	16	34	82	38	-25	129	42	
4,357	4,732	6,374	4,890	20,353	4,383	4,726	5,676	4,880	19,665	4,468	







CANADA



# NATIONAL ACCOUNTS INCOME AND EXPENDITURE

Second Quarter

1955

*Published by Authority of*

The Right Honourable C. D. Howe, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**

Research and Development Division

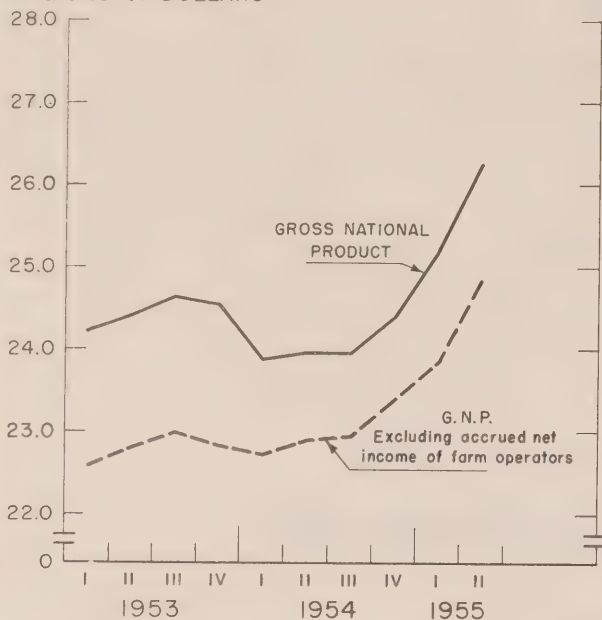
National Income Section

# SELECTED COMPONENTS OF INCOME AND EXPENDITURE

(AT SEASONALLY ADJUSTED ANNUAL RATES)

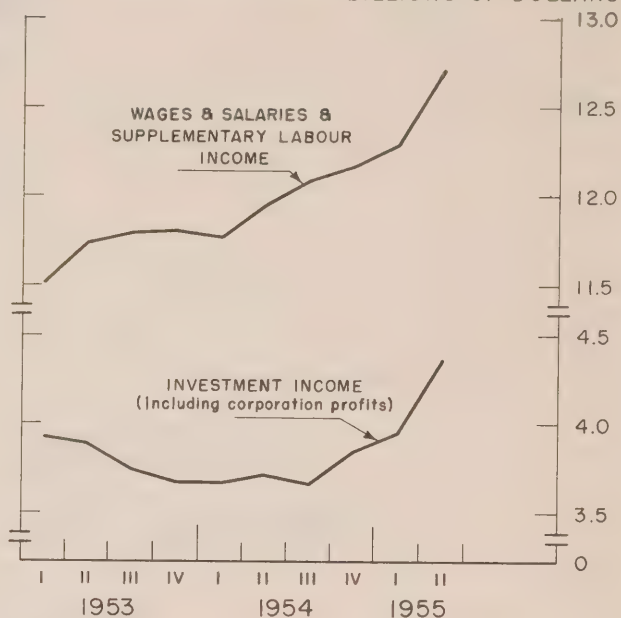
GROSS NATIONAL PRODUCT ROSE AT A SHARPER RATE IN THE SECOND QUARTER

BILLIONS OF DOLLARS

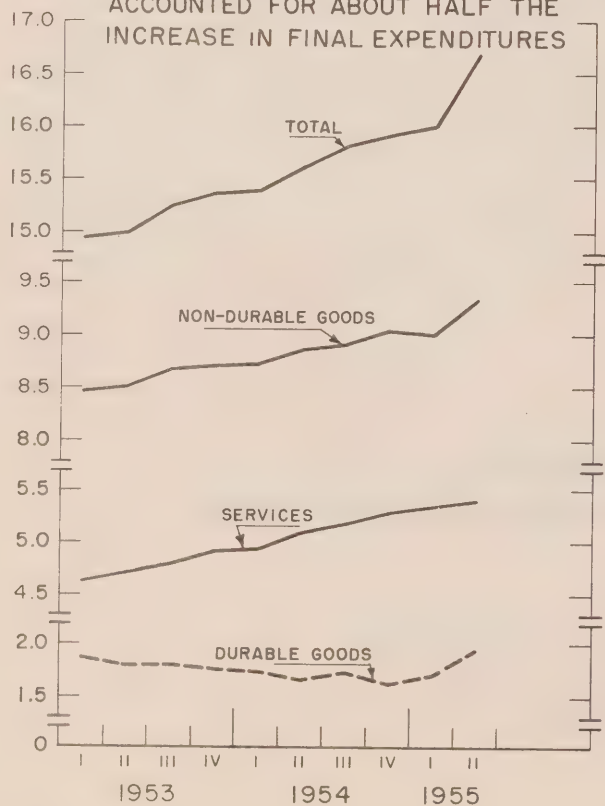


MAJOR GAINS WERE MADE IN WAGES AND SALARIES AND INVESTMENT INCOME (INCLUDING CORPORATION PROFITS)

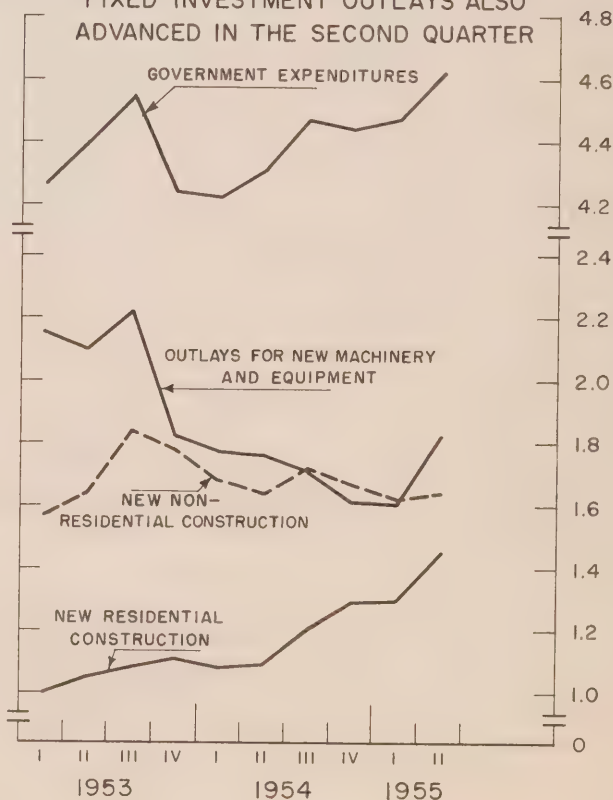
BILLIONS OF DOLLARS



RIISING CONSUMER OUTLAYS ACCOUNTED FOR ABOUT HALF THE INCREASE IN FINAL EXPENDITURES



GOVERNMENT EXPENDITURES AND FIXED INVESTMENT OUTLAYS ALSO ADVANCED IN THE SECOND QUARTER





INTRODUCTORY REVIEW

This report includes revised data for the  
first quarter of 1955

Gross National Product moved upward at an accelerated rate in the second quarter of 1955, as the expansion in economic activity which began in the last half of 1954 made a sharp advance. The second quarter rate of Gross National Product is estimated at \$26.2 billion, a gain of 4 per cent over this year's first quarter, and 9 per cent above the annual average for the year 1954 of \$24.0 billion. It may be noted that the gain over last year includes an allowance of \$300 million for an estimated higher crop production in 1955, and is thus subject to partial qualification<sup>1</sup>. With the element of farm production eliminated, the general level of activity in the non-farm sector of the economy<sup>2</sup> in the second quarter was 8 per cent above the 1954 annual average, and also 8 per cent above the peak reached in the third quarter of 1953 just prior to the downturn in activity.

The gain in the value of non-farm production between the first and second quarters of this year amounted to 4 per cent, compared with gains of 2 per cent in each of the two preceding quarters. With prices relatively stable, these gains reflect a growth of similar magnitude in the volume of output. The recent advance appears to have been more widely dispersed than that which occurred between the fourth quarter of 1954 and the first quarter. Almost all industrial groups have shared in the general advance in production. Related indicators suggest that, after adjustment for seasonal factors, about one-half of the production gain from the first to second quarter occurred in manufacturing. In contrast to the first quarter, however, when the increase in manufacturing production was concentrated in durable goods (especially automobiles), the second quarter gains appear to have been quite widespread, with the major part of the advance occurring in the non-durable goods industries. It may be noted that the

1. In the seasonally adjusted figures of Gross National Product given in this report, the estimated value of crop production is distributed evenly across the four calendar quarters of the year. The estimate of crop production for the first two quarters of 1955 is based on the latest available information on the crop outlook (August 30). The figure is therefore subject to revision as later information becomes available. Recent data on the agricultural situation indicate that yields of Western grains will be larger than the 10-year average. Thus, the figure of accrued net income of farm operators from farm production, which appeared in the first quarter publication, has been revised upward by about \$200 million. Revised Gross National Product for the first quarter is put at \$25.2 billion.
2. As indicated by Gross National Product excluding accrued net income of farm operators from farm production. It may be noted that these figures are only approximately representative of movements in the non-farm sector since they include a number of small and stable components of Gross National Product originating in agriculture, e.g. wages, interest, rents and depreciation.

rise in manufacturing production, both durable and non-durable, in recent quarters, has brought the level of production in this industry to a point approximately 8 per cent above the second quarter of 1954. In spite of these gains over last year, durable production had not reached the high levels of the second quarter of the year 1953, but non-durable production in the second quarter was running at a rate approximately 4 per cent above the mid-1953 level.

Outside of the manufacturing field, production gains from the first to second quarter of this year were also widely diffused, with the services, construction, and most of the primary industries sharing in the advance.

Accompanying these gains in production, the total number of persons with jobs in the second quarter was about 3 per cent higher than in the same period of 1954. In the non-agricultural sector, the number of persons with jobs rose by about 4 per cent. At the same time, average hours worked per week in manufacturing were about 2 per cent higher than a year ago. In the second quarter of this year, the number of persons without jobs and seeking work had declined by 2 per cent below the level of last year's second quarter.

#### DEVELOPMENTS IN THE HALF YEAR

The vigorous pace of activity in the first six months of this year has been accompanied by major gains in most of the important segments of income and demand. The table below shows percentage increases for a number of selected aggregates since the first half of last year when economic activity had reached the low point of the recent down-turn. Both personal and business incomes have shown striking gains since that time, and these in turn have been reflected in the growth of a number of major expenditure categories. On the income side, investment income, including corporation profits, has risen sharply; available information suggests that corporation profits may have been of the order of 15 per cent above the first half of 1954. Wages and salaries have shown a gain of approximately 6 per cent over a year ago; this compares with a gain of only 2 per cent from 1953 to 1954 in the half year comparison. Personal income has been running at a rate approximately 6 per cent above 1954 in the first half of this year, and the level of personal saving has risen.

#### Percentage Change, First Half 1955 over First Half 1954

<u>Selected Income Aggregates</u>		<u>Selected Expenditure Aggregates</u>	
National Income	+7.4 %	Gross National Expenditure	+7.2 %
Personal Income	+5.9 %	Personal Expenditure	+5.7 %
Wages and Salaries	+5.6 %	Government Expenditure	+6.1 %
Investment Income	+14.8 %	Residential Construction	+27.4 %
Government Transfer Payments	+9.1 %	Exports	+10.4 %
		Imports	+8.1 %

On the expenditure side, major sources of strength in the half year have been the increase in consumers' outlays, substantially higher levels of housebuilding activity, and a sharp rise in exports of goods and services. The rate of business inventory accumulation has also been moderately higher, while some increase has occurred in government expenditure on goods and services.



Imports have responded to the increases in these demand categories, and have shown a sharp rise. On the other hand, outlays for new non-residential construction and machinery and equipment have shown minor declines in the first half of this year. These developments are illustrated in the table immediately below. It is also of interest to note that during the period of the down-turn between 1953 and 1954 when most other expenditure categories were declining, consumer outlays and housing were continuing to rise and this growth has continued throughout the first half of 1955.

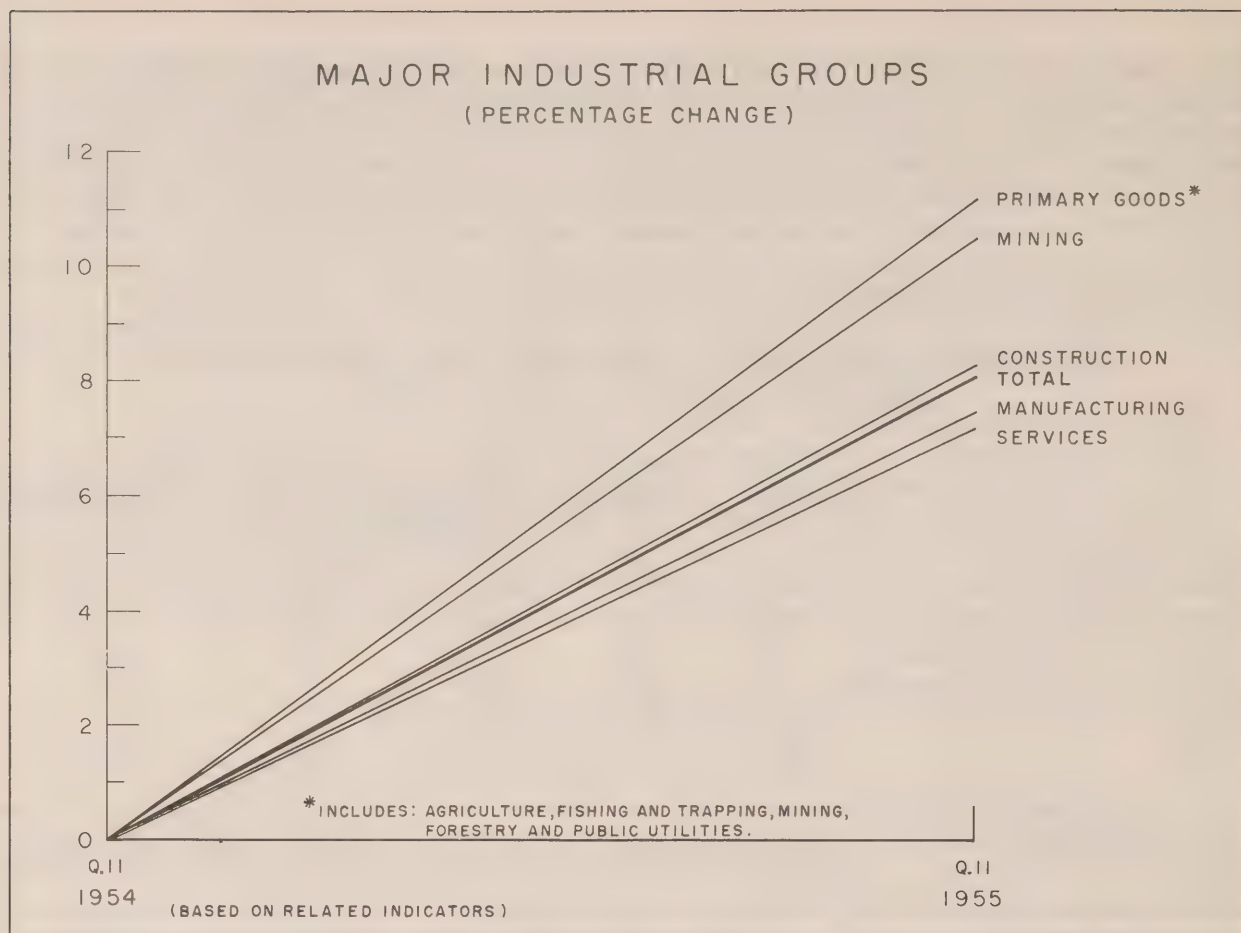
Gross National Expenditure, First Half 1953, 1954 and 1955  
(Seasonally Adjusted at Annual Rates)

	6 months 1953	6 months 1954	6 months 1955	Change 1953 to 1955	Change 1954 to 1955
	<u>\$ Billion</u>				
Personal Expenditure	15.0	15.5	16.3	+1.4	+1.8
Government Expenditure	4.3	4.3	4.5	+.2	+.3
Residential Construction	1.0	1.1	1.4	+.3	+.3
Non-Residential Construction	1.6	1.7	1.6	-	-
Machinery and Equipment	2.1	1.8	1.7	-.4	-.1
Exports	5.5	5.1	5.6	+.1	+.5
<b>TOTAL FINAL PURCHASES (EX INVENTORIES)</b>	<b>29.5</b>	<b>29.4</b>	<b>31.2</b>	<b>+1.7</b>	<b>+1.8</b>
Change in Inventories (Business Only)	.6 (.4)	-.1 (-)	.4 (.2)	-.2 (-.2)	+.5 (+.2)
Imports	-5.9	-5.5	-6.0	-.1	-.5
Error	.1	.1	.1	-	-
<b>GROSS NATIONAL EXPENDITURE</b>	<b>24.3</b>	<b>23.9</b>	<b>25.7</b>	<b>+1.4</b>	<b>+1.8</b>

Figures will not add by +.1 or -.1 due to rounding.

The increases in both the second quarter and in the first half of this year over the same period of 1954 have taken place on a relatively broad front, with all industrial groups sharing in the advance. The chart immediately following suggests comparative orders of magnitude for the second quarter comparison.





### COMPONENTS OF GROSS NATIONAL PRODUCT

#### Wages, Salaries and Supplementary Labour Income

Reflecting the substantial gain in production and the accompanying rise in employment, wages and salaries seasonally adjusted reached an annual rate of \$12.7 billion in the second quarter of this year. This represents an increase of more than 3 per cent over the first quarter (on the seasonally adjusted basis), and was about 7 per cent over the same period a year ago. The 7 per cent advance over last year breaks down into a 4 per cent increase in the number of paid workers and a 3 per cent increase in average weekly earnings.

Mirroring changes in production, the gain over a year ago was widespread throughout the various industries, with all groups showing advances. In spite of the widespread nature of the gains, however, manufacturing, construction and trade together accounted for about half of the increase. These three groups also accounted for the major part of the advance from the first to second quarter of this year.

#### Investment Income

Investment income seasonally adjusted rose by 11 per cent from the first to second quarter of 1955, to a level of \$4.4 billion at annual rates. This

constitutes a gain of about 20 per cent over the second quarter of 1954. Corporation profits were the major factor in the increase and data available at present suggest a gain of the order of 20 per cent over last year's second quarter. The advances from a year ago and from the first to second quarter again appear to have been quite general, with the majority of the industrial groups sharing in the increase.

Other components of investment income, including interest and rents received by individuals and government investment income, showed little movement from the first to second quarter, but were generally higher than a year earlier.

#### Net Income of Unincorporated Business

Seasonally adjusted, accrued net income of farm operators from farm production in the second quarter was at an annual rate of \$1.4 billion compared with the annual average for the year 1954 of \$1.1 billion. This increase reflects the method of seasonally adjusting grain production on the basis of anticipated crop yields (see footnote 1 page 1); the value of the 1955 crop is estimated to be some \$300 million higher than that of 1954. These figures are based on data available as at August 30 of this year. In the unadjusted data, accrued net income of farm operators shows a gain of about 16 per cent over the second quarter of last year, reflecting for the most part higher marketings of wheat.

Net income of non-farm unincorporated business was up slightly from the first to the second quarter, and was about 6 per cent above the level of the same period a year ago. The major part of this increase was in net income from construction, reflecting a higher level of housebuilding in 1955.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies, seasonally adjusted, rose moderately from the first to second quarter and were at an annual rate of \$3.2 billion, 6 per cent above the level of the previous year. The gains were entirely attributable to indirect taxes, with subsidies showing little change. Featured in the increases over last year were customs import duties, which rose by 11 per cent, associated with the sharp rise in imports; and excise duties, which rose by 15 per cent, reflecting higher consumption of tobacco and alcoholic beverages. Federal excise taxes showed little change, reflecting the inter-action of reductions in rates in the April 1955 Budget with a higher level of production and consumption. At the provincial level, the gains were concentrated in gasoline, retail sales and public domain taxes, while at the municipal level, gains occurred in real property taxes.

### COMPONENTS OF GROSS NATIONAL EXPENDITURE

#### Personal Expenditure on Consumer Goods and Services

Outlays by consumers for goods and services (seasonally adjusted) increased substantially from the first to the second quarter of 1955, with widespread gains in the non-durable goods group, and a large increase in purchases of durable goods associated with a sharp upswing in sales of new passenger automobiles. All major groups, durables, non-durables and services, were at new peaks in the second quarter, with increases of 15 per cent, 4 per cent, and



2 per cent, respectively, over the first quarter. These gains brought the total level of consumer expenditure in the second quarter to a point approximately 7 per cent above the level of the second quarter of 1954.

The heavy volume of new passenger car sales in the second quarter of this year is mirrored in a value increase of 36 per cent over the same period of 1954. This has been the major factor in the gain of 20 per cent for the total durable goods group. In the non-durable goods group, all of the component items have shown gains over last year, with the more important value increases occurring in food, and tobacco and alcoholic beverages. Consumer outlays for services have continued to grow steadily, and the level of the second quarter of 1955 was approximately 6 per cent over a year ago. The growth of the rent component of the services group has continued to rise as a result of an increased volume of housing units and a somewhat higher level of average rents.

Prices have been steady in the consumer sector over the past year, and the consumer price index has shown very little change. However, it may be noted that the price of services has risen while the prices of durable and non-durable goods have shown a decline of about 1 per cent.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services, seasonally adjusted, rose moderately from the first to second quarter, reflecting for the most part a pick-up in federal defence outlays (largely on non-procurement items) but also to a lesser degree small gains in non-defence outlays at the three levels of government. The second quarter rate of \$4.6 billion was thus about 7 per cent over the corresponding period for 1954. Defence expenditures, which contributed almost half the gain over last year, were about 9 per cent higher. The growth in expenditures at the provincial and municipal levels of government reflected in part, higher investment outlays for capital facilities.

#### Residential Construction

Investment in new residential construction, seasonally adjusted, rose by approximately 12 per cent from the first to second quarter of 1955 and was at an annual rate of more than \$1.4 billion. This constitutes an increase of 33 per cent over the second quarter of last year and is the largest single percentage gain of any major component of Gross National Expenditure. Both housing starts and completions were up by 30 and 31 per cent, respectively, over the second quarter of 1954, while the residential building material price index has shown a gain of about 2 per cent.

#### Non-Residential Construction

By contrast with the rise in residential construction noted above, non-residential construction (seasonally adjusted) showed little change from the first to the second quarter of 1955, and was down slightly compared with the second quarter of 1954; in the first six months of this year, non-residential construction dropped by approximately 3 per cent from last year's level.



## Machinery and Equipment

Investment in new machinery and equipment rose by 14 per cent from the first to the second quarter of 1955, the first major increase in this component since early in 1953. The gain was accounted for by an increase of 24 per cent in purchases of commercial vehicles, and by a rise in purchases of passenger vehicles for business use above the levels of the second quarter of 1954. In spite of this gain in the second quarter, however, investment in machinery and equipment for the first six months of this year was approximately unchanged from the first half of 1954.

## Change in Inventories

The seasonally adjusted figures of inventory change indicate some accumulation in the second quarter. However, most of this accumulation can be ascribed to stocks of grain in commercial channels<sup>1</sup>. Business inventories, seasonally adjusted, showed little change in the second quarter, but the minor change obscures offsetting movements within industries. Among these changes, it may be noted that manufacturing inventories, seasonally adjusted, were drawn down during the second quarter, reflecting the fact that shipments of motor vehicles from the factory were substantially in excess of the high rate of factory production. It may be recalled that in the first quarter of 1955, shipments of passenger vehicles were much lower than the production, especially during March when 17,000 units accumulated at the factory level. The rate of shipments of automobiles from the factories was in excess of the high volume of car sales in the second quarter, with the result that some accumulation took place at the retail level. This transfer of motor vehicles from factories to dealers played a substantial part in the overall increase in inventory holdings at retail.

Other developments within the components of business inventories in the second quarter appear to have been mainly offsetting so that on balance very little change is shown in the total level of business holdings at book value.

## Exports and Imports of Goods and Services<sup>2</sup>

Exports and imports of goods and services in the second quarter were 10 per cent and 9 per cent, respectively, above the same period a year earlier. After seasonal adjustment, the figures indicate that the high levels reached in the first quarter of this year were maintained; exports were running at \$5.6 billion while imports were at \$6.0 billion.

Non-agricultural exports of goods, seasonally adjusted, rose to a new high from the first to second quarter, but declines in exports of agricultural products offset this increase. For the first half of 1955, while exports of agricultural products were approximately unchanged from the same period of 1954,

1. Withdrawals from stocks of grain in commercial channels were less than seasonal in the second quarter so that, in the seasonally adjusted figures, some accumulation is shown.

2. For a fuller discussion and report, see "The Canadian Balance of International Payments, Second Quarter, 1955".

all other commodities rose 12 per cent over the first half of 1954 and were 4 per cent above the first half of 1952, the previous peak. The strongest increases in exports in the half year comparison were in wood products, non-ferrous metals, non-metallic minerals and chemical products. Reflecting the coming into operation of relatively new sources of production, exports of iron ore, petroleum and chemicals rose considerably in the second quarter relative to the preceding year. Behind the continued strength of exports was the expansion of economic activity in the United States and the continued high levels of economic activity in the United Kingdom and other West European countries.

Imports of goods rose sharply in most components in the second quarter relative to the first; this increase in goods was partly offset by a decline in services. The gain in imports of goods reflects the expansion in economic activity in Canada in the first half of this year from the low point a year ago. The upswing in manufacturing production, the cessation of inventory liquidation followed by some accumulation, and the continued growth of consumer expenditure, has been accompanied by rising import levels. All nine import groups increased in both the second quarter and in the first half of 1955 compared to the same periods of 1954. Imports in the first six months of this year were approaching the peak levels of the first half of 1953, and several of the major import groups had in fact considerably exceeded them.

In the first half of this year, the deficit on current account has averaged slightly lower than the first half of the year 1954. A slight improvement in the terms of trade has occurred since the second quarter of last year, as export prices have risen moderately relative to import prices which have remained approximately unchanged.

#### Personal Income and Expenditure

Personal income, seasonally adjusted, in the second quarter of 1955 amounted to \$19.6 billion, up 3 per cent over the first quarter of this year and 8 per cent over the second quarter of a year ago. The major portion of these gains is accounted for by the rise in wages and salaries, and reflects higher wage rates and increased employment. All other elements of personal income also show gains relative to a year ago. From the first to second quarter of 1955, advances occurred in all components except government transfer payments, and interest, dividends and net rental income of persons.

The level of personal saving has risen in the first half of 1955, as advances in personal income have been larger than the increase in consumer outlays and personal direct taxes. Thus, the rate of saving in the first six months of the year has amounted to about 9 per cent of personal disposable income, compared with about 7 per cent in the first half of 1954.





TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	2,855	2,947	3,074	3,113	11,989	2,984	3,143
2. Military Pay and Allowances.....	83	92	95	97	367	93	100
3. Investment Income.....	843	965	1,002	905	3,715	907	1,168
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	42	119	734	163	1,058	21	138
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	334	426	445	440	1,645	346	452
6. NET NATIONAL INCOME AT FACTOR COST.....	4,157	4,549	5,350	4,718	18,774	4,351	5,001
7. Indirect Taxes less Subsidies.....	716	734	728	736	2,914	750	778
8. Depreciation Allowances and Similar Business Costs	575	639	630	667	2,511	609	670
9. Residual Error of Estimate.....	-42	-100	-46	30	-158	-63	-55
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,406	5,822	6,662	6,151	24,041	5,647	6,394
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,364)	(5,703)	(5,928)	(5,988)	(22,983)	(5,626)	(6,256)

## Footnotes:

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	3,593	3,925	3,801	4,357	15,676	3,737	4,213
2. Government Expenditure on Goods and Services <sup>1,4</sup> ...	1,121	874	1,183	1,183	4,361	1,167	950
Gross Domestic Investment <sup>2</sup>							
3. New Residential Construction.....	206	283	334	343	1,166	246	377
4. New Non-Residential Construction.....	335	414	491	436	1,676	320	405
5. New Machinery and Equipment.....	429	508	402	372	1,711	387	542
6. Change in Inventories.....	-136	-118	394	-420	-280	-120	19
7. (Business Inventories only) <sup>3</sup> .....	(104)	(-1)	(-75)	(-148)	(-120)	(141)	(95)
8. Exports of Goods and Services.....	1,089	1,278	1,397	1,372	5,136	1,208	1,406
9. Deduct: Imports of Goods and Services.....	-1,272	-1,442	-1,386	-1,462	-5,562	-1,360	-1,574
10. Residual Error of Estimate.....	41	100	46	-30	157	62	56
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,406	5,822	6,662	6,151	24,041	5,647	6,394

## Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1954					1955	
I	II	III	IV	Year	I	II
528	360	399	440	1,727	520	391

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	2,855	2,947	3,074	3,113	11,989	2,984	3,143
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-96	-99	-99	-101	-395	-101	-102
3. Military Pay and Allowances.....	83	92	95	97	367	93	100
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	48	130	709	198	1,085	-1	155
5. Net Income of Non-Farm Unincorporated Business....	334	426	445	440	1,645	346	452
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	422	474	454	475	1,825	476	496
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	473	381	371	376	1,601	522	410
8. Charitable Contributions by Corporations.....	6	8	7	7	28	6	10
9. Net Bad Debt Losses of Corporations.....	6	7	7	8	28	6	7
10. PERSONAL INCOME.....	4,131	4,366	5,063	4,613	18,173	4,331	4,671

Footnotes:

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.
2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
Personal Direct Taxes:							
1. Income Taxes.....	298	356	313	323	1,290	310	336
2. Succession Duties.....	17	17	19	24	77	21	23
3. Miscellaneous.....	23	15	9	12	59	28	18
4. Total Personal Direct Taxes.....	338	388	341	359	1,426	359	377
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	1,953	2,160	2,167	2,600	8,880	2,004	2,274
6. Durable Goods.....	394	474	397	417	1,682	388	567
7. Services <sup>1</sup> .....	1,246	1,291	1,237	1,340	5,114	1,345	1,372
8. Total Personal Expenditure on Consumer Goods and Services.....	3,593	3,925	3,801	4,357	15,676	3,737	4,213
Personal Saving:							
9. Personal Saving Excluding Farm Inventory Change.	396	137	469	214	1,216	438	153
10. Farm Inventory Change.....	-196	-84	452	-317	-145	-203	-72
11. Total Personal Saving.....	200	53	921	-103	1,071	235	81
12. PERSONAL INCOME.....	4,131	4,366	5,063	4,613	18,173	4,331	4,671
13. (Personal Disposable Income) <sup>2</sup> .....	(3,793)	(3,978)	(4,722)	(4,254)	(16,747)	(3,972)	(4,294)

Footnotes:

1. Includes net expenditure abroad.
2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1954-1955  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	11,768	11,936	12,080	12,172	11,989	12,284	12,712
2. Military Pay and Allowances.....	332	368	380	388	367	372	400
3. Investment Income.....	3,668	3,708	3,656	3,828	3,715	3,940	4,364
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,148	1,068	1,008	1,008	1,058	1,344	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,616	1,624	1,652	1,688	1,645	1,672	1,720
6. NET NATIONAL INCOME AT FACTOR COST.....	18,532	18,704	18,776	19,084	18,774	19,612	20,600
7. Indirect Taxes less Subsidies.....	2,904	2,984	2,884	2,884	2,914	3,052	3,164
8. Depreciation Allowances and Similar Business Costs	2,420	2,544	2,536	2,544	2,511	2,564	2,664
9. Residual Error of Estimate.....	16	-272	-248	-128	-158	-36	-180
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	23,872	23,960	23,948	24,384	24,041	25,192	26,248
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,724)	(22,892)	(22,940)	(23,376)	(22,983)	(23,848)	(24,844)

Footnotes:

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1953-1954  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services	15,376	15,600	15,812	15,916	15,676	16,004	16,668
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,224	4,312	4,472	4,436	4,361	4,472	4,620
Gross Domestic Investments <sup>2</sup>							
3. New Residential Construction.....	1,084	1,092	1,200	1,288	1,166	1,288	1,448
4. New Non-Residential Construction.....	1,676	1,640	1,716	1,672	1,676	1,620	1,636
5. New Machinery and Equipment.....	1,772	1,756	1,708	1,608	1,711	1,604	1,824
6. Change in Inventories.....	172	-428	-808	-56	-280	500	284
7. (Business Inventories only) <sup>3</sup> .....	(300)	(-356)	(-460)	(36)	(-120)	(364)	(20)
8. Exports of Goods and Services.....	5,060	5,156	5,148	5,180	5,136	5,604	5,592
9. Deduct: Imports of Goods and Services.....	-5,472	-5,440	-5,548	-5,788	-5,562	-5,936	-6,000
10. Residual Error of Estimate.....	-20	272	248	128	157	36	176
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	23,872	23,960	23,948	24,384	24,041	25,192	26,248

Footnotes:

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excludes grain in commercial channels and farm inventories.



TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income..	11,768	11,936	12,080	12,172	11,989	12,284	12,712
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-376	-396	-404	-404	-395	-396	-412
3. Military Pay and Allowances.....	332	368	380	388	367	372	400
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,172	1,112	908	1,148	1,085	1,260	1,472
5. Net Income of Non-Farm Unincorporated Business...	1,616	1,624	1,652	1,688	1,645	1,672	1,720
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,760	1,812	1,840	1,888	1,825	1,988	1,932
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	1,608	1,608	1,564	1,624	1,601	1,776	1,728
8. Charitable Contributions by Corporations.....	28	28	28	28	28	24	40
9. Net Bad Debt Losses of Corporations.....	28	28	28	28	28	24	28
10. PERSONAL INCOME.....	17,936	18,120	18,076	18,560	18,173	19,004	19,620

Footnotes:

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
Personal Direct Taxes:							
1. Income Taxes.....	1,264	1,228	1,352	1,316	1,290	1,316	1,164
2. Succession Duties.....	68	68	76	96	77	84	92
3. Miscellaneous.....	64	60	56	56	59	76	72
4. Total Personal Direct Taxes.....	1,396	1,356	1,484	1,468	1,426	1,476	1,328
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	8,720	8,860	8,912	9,028	8,880	8,988	9,324
6. Durable Goods.....	1,728	1,656	1,728	1,616	1,682	1,696	1,944
7. Services <sup>1</sup> .....	4,928	5,084	5,172	5,272	5,114	5,320	5,400
8. Total Personal Expenditure on Consumer Goods and Services.....	15,376	15,600	15,812	15,916	15,676	16,004	16,668
Personal Saving:							
9. Personal Saving Excluding Farm Inventory Change	1,384	1,376	888	1,216	1,216	1,424	1,596
10. Farm Inventory Change.....	-220	-212	-108	-40	-145	100	28
11. Total Personal Saving.....	1,164	1,164	780	1,176	1,071	1,524	1,624
12. PERSONAL INCOME.....	17,936	18,120	18,076	18,560	18,173	19,004	19,620
13. (Personal Disposable Income) <sup>2</sup> .....	(16,540)	(16,764)	(16,592)	(17,092)	(16,747)	(17,528)	(18,292)

Footnotes:

1. Includes net expenditure abroad.

2. Personal Income Less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS,  
UNADJUSTED FOR SEASONALITY<sup>1</sup>  
(millions of dollars)

	1954				Year	1955	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	3,047	3,327	3,199	3,689	13,262	3,146	3,586
2. Non-Durable Goods.....	1,753	1,946	1,938	2,337	7,974	1,813	2,058
3. Durable Goods.....	347	418	353	373	1,491	351	526
4. Services.....	947	963	908	979	3,797	982	1,002
5. Government Expenditure on Goods and Services..	859	660	907	898	3,324	873	701
Gross Domestic Investment:							
6. New Residential Construction.....	162	222	260	266	910	190	290
7. New Non-Residential Construction.....	250	313	376	333	1,272	238	299
8. New Machinery and Equipment.....	359	423	337	307	1,426	321	455
9. Change in Inventories.....	-159	-154	545	-517	-285	-217	-44
10. (Business Inventories only).....	(115)	(11)	(-40)	(-137)	(-51)	(93)	(63)
11. Exports of Goods and Services.....	990	1,151	1,264	1,260	4,665	1,090	1,242
12. Deduct: Imports of Goods and Services.....	-1,159	-1,298	-1,250	-1,331	-5,038	-1,223	-1,410
13. Residual Error of Estimate.....	34	82	38	-25	129	50	46
14. GROSS NATIONAL EXPENDITURE.....	4,383	4,726	5,676	4,880	19,665	4,468	5,165

## Footnote:

1. See footnotes, Table 2.



CANADA



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
THIRD QUARTER  
1955

*Published by Authority of*

The Right Honourable C. D. Howe, Minister of Trade and Commerce

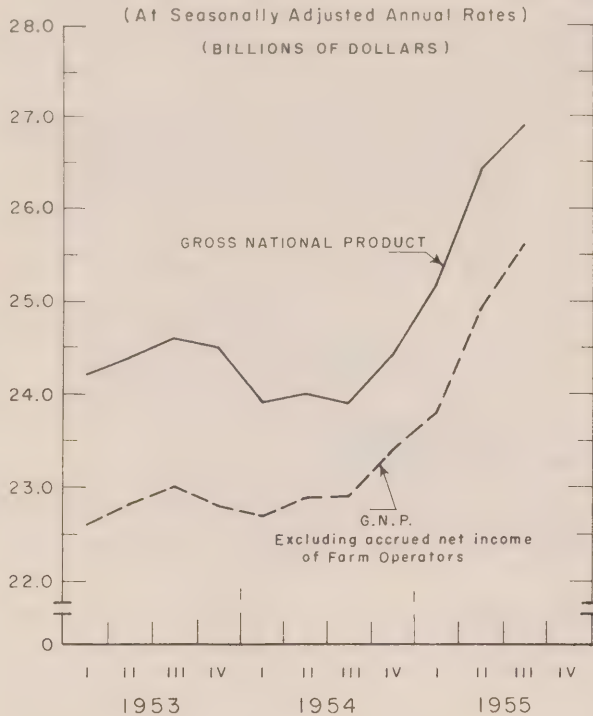
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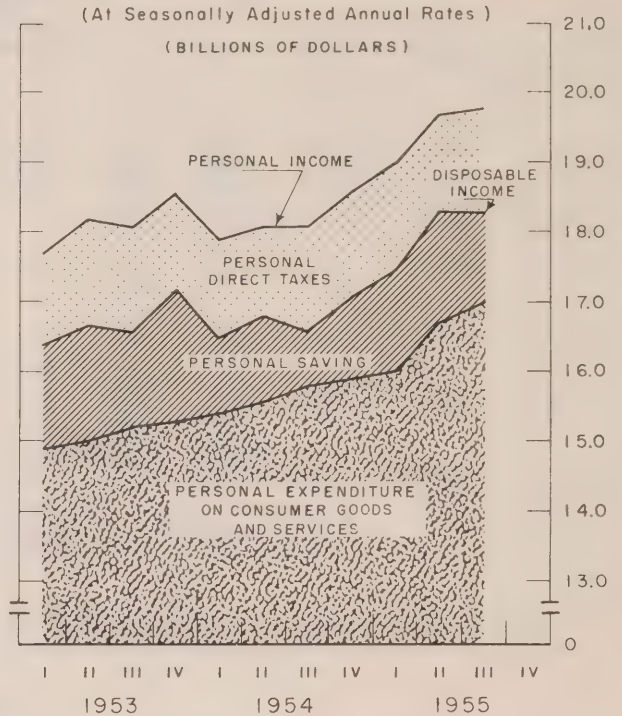
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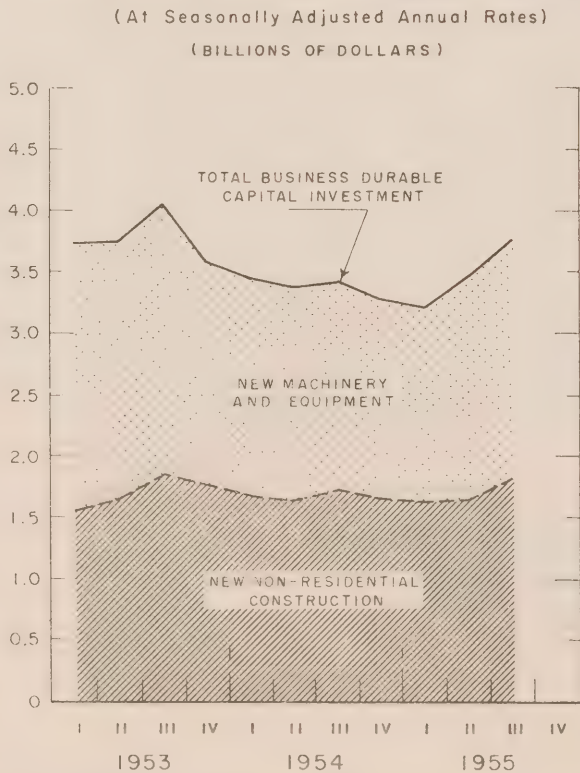
### GROSS NATIONAL PRODUCT HAS MOVED SHARPLY UPWARD IN THE FIRST NINE MONTHS OF 1955



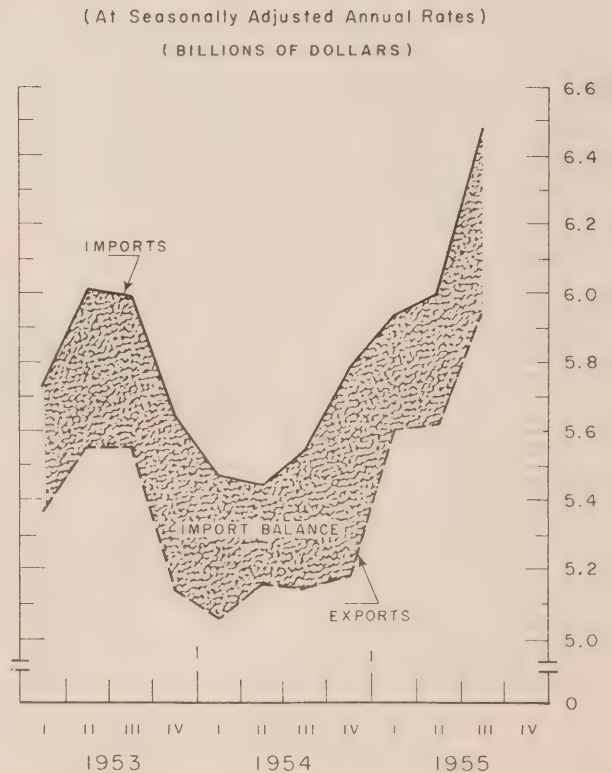
### PERSONAL INCOME AND EXPENDITURE ROSE TO RECORD LEVELS WHILE SAVING INCREASED



### BUSINESS CAPITAL INVESTMENT OUTLAYS HAVE STRENGTHENED IN RECENT QUARTERS



### BOTH EXPORTS AND IMPORTS INCREASED MARKEDLY IN 1955



## INTRODUCTORY REVIEW

This report includes revised data for the  
second quarter of 1955

Gross National Product, seasonally adjusted, rose to \$26.9 billion in the third quarter of 1955, marking the fourth successive advance in output since the mild contraction from mid 1953 to mid 1954. The gain in output in the third quarter was more moderate than that which occurred between the first and second quarters of this year, amounting to about 2 per cent compared with an increase of more than 4 per cent in the preceding quarter. The successive advances in output since a year ago have amounted to \$2.9 billion at annual rates, and have brought the general level of economic activity to a point about 12 per cent above the 1954 third quarter rate of \$23.9 billion.

A number of expansionary factors have contributed to this \$2.9 billion growth in output over the course of the past year. The larger grain crop in 1955 is reflected in the increase, accounting for about \$300 million of the gain in total Gross National Product. Personal expenditure on consumer goods and services has led the advance in final purchases, with a gain of \$1.2 billion, while exports, gross domestic investment in durable assets, and government expenditures have together absorbed an additional \$1.7 billion of output. Finally, the swing in business inventories from liquidation a year ago to net accumulation in the third quarter of 1954 has amounted to \$0.5 billion. Under these stimuli, Canadian production has pushed rapidly forward, although a considerable part of both final and inventory demand has been channelled into imports, which have risen by more than \$0.9 billion (at seasonally adjusted annual rates) over the past year.

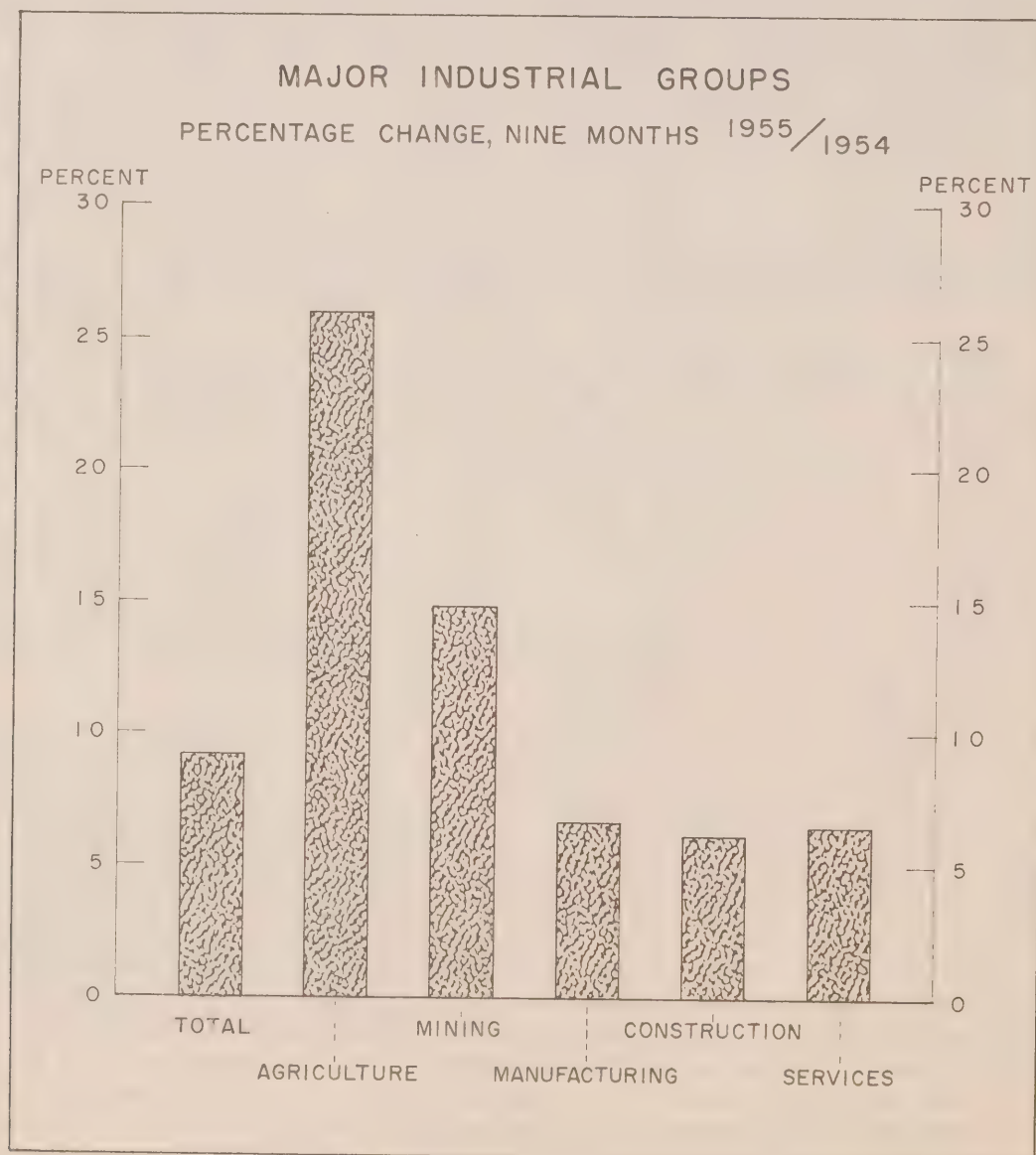
With the crop out-turn now known and data covering three quarters of the year's activity in the non-farm sector available, it is possible to suggest some order of magnitude for the year 1955 as a whole. On the basis of present evidence, it seems likely that Gross National Product in 1955 will be about 9 per cent higher than last year's figure of \$24.0 billion. With final product prices relatively stable in the first nine months of this year, this gain of 9 per cent would reflect, for the most part, an increase in the physical volume of output. It will be recalled that in 1954 the volume of output declined by 3 per cent while some increases in the labour force and productive capacity were taking place. This made possible the very sharp increase in the volume of output which is indicated for 1955. The increase over 1953 is of the order of 5 per cent.

Before proceeding to a discussion of the major product and expenditure categories, it will be useful to review briefly the experience of the various industrial groups in the third quarter of this year, and over the course of the past twelve months. After allowing for seasonal factors, the expansion in non-farm output between the second and third quarters appears to have occurred mainly in non-manufacturing activity, in contrast to preceding quarters where manufacturing accounted for about half of the total rise in output; durable goods production was responsible for most of the relatively modest gain in manufacturing activity in the third quarter. Outside the manufacturing field, industrial gains were widespread, with all major groups showing gains over the second quarter. Rising export demand for mine and metal products was accompanied by a sharp increase in the output of the mining industry; forestry production also rose as exports of wood and wood products were sustained at a high level. The recent up-turn in non-residential construction together with a continuation of the high



level of activity in the residential field contributed to a further gain in output in the construction industry. Gains were also registered in transportation and in most of the other service sectors.

Taking the first nine months of 1955 together, production increases over the same period of a year ago have been both widely dispersed and substantial in size. Manufacturing production has shown an increase of close to 7 per cent, with durable goods production up by 8 per cent and non-durable up by 5 per cent. It may be noted that since mid 1954, substantial increases have occurred in almost all of the manufacturing sub-groups which were affected by the earlier contraction in activity, including iron and steel products, electrical apparatus and supplies, transportation equipment, and textiles. At the same time, related indicators suggest that in the construction industry, and in the services group taken as a whole, gains of the order of 6 or 7 per cent have occurred in the first nine months of this year, marking a continuation of a general upward trend. In the primary industries group, a large gain is indicated for agriculture, while forestry, public utilities and mining have shown increases ranging from 9 to 15 per cent.





Accompanying these developments on the production side, the total number of persons with jobs in the third quarter was about 4 per cent higher than in the same period of 1954. In the non-agricultural sector, the number of persons with jobs rose by 6 per cent. At the same time, average hours worked per week in manufacturing were somewhat higher than a year ago. The number of persons without jobs and seeking work in Canada in the third quarter was almost 20 per cent below the level of last year's third quarter.

Prices on the average have been relatively stable over the course of the past year. Prices of non-agricultural primary materials have begun to edge upward, while agricultural prices have continued to decline. In particular, prices of non-grain export products and construction materials have shown some increases. The wholesale price index in the third quarter was about 1 1/2 per cent above the same period of a year ago, while the consumer price index was relatively unchanged.

#### SUMMARY OF DEVELOPMENTS IN INCOME AND EXPENDITURE

Both personal and business incomes continued to expand between the second and third quarters, reflecting for the most part further gains in wages and salaries and in investment income including corporation profits. The successive quarter-to-quarter gains in these two important income categories have accounted for the greater part of the enlarged flow of income over the course of the past year. Thus, the most recent gains have brought wages and salaries to a point approximately 8 per cent above last year's third quarter, while investment income is running at a rate approximately 25 per cent above a year ago. At the same time, account must be taken of the important increase in net income of farm operators in 1955 resulting from the substantially higher level of crop production compared with last year. The table below shows percentage increases for a number of selected income aggregates in the first nine months of 1955.

#### Percentage Change, Nine Months 1955 over Nine Months 1954 (percentage changes based on seasonally adjusted data)

National Income	+ 10 %	Wages and Salaries	+ 7 %
Personal Income	+ 8 %	Investment Income	+ 19 %
		Accrued Net Income of Farm Operators	+ 27 %

Accompanying these income gains, impressive increases have occurred in almost all segments of Gross National Expenditure in the first nine months of this year relative to the same period of 1954. Especially noteworthy in the last two quarters have been the firming of business investment outlays for new construction, and machinery and equipment, which had been relatively stable since the declines of late 1953 and early 1954. In the third quarter of this year, these investment categories accounted for about \$0.3 billion of the \$1.1 billion increase in final purchases over the second quarter; the growth in consumer outlays and in exports accounted for almost all of the remaining increase, as shown in the table below. These developments between the second and third quarter were accompanied by one of the sharpest advances in imports of goods and services since the period immediately following the out-break of the Korean war.

The following table provides a summary review of changes in the categories of Gross National Expenditure from the second to third quarter, and in the first nine months of 1955 relative to a year ago.

### Changes in Gross National Expenditure

	Change 2nd Q. 1955 to 3rd Q. 1955	Change 9 Months 1954 to 9 Months 1955	
	Seasonally Adjusted at Annual Rates \$ billions	Seasonally Adjusted at Annual Rates \$ billions	Percentage Change
Personal Expenditure.....	+ 0.3	+ 1.0	+ 6.1 %
Government Expenditure.....	+ 0.1	+ 0.3	+ 6.5 %
Residential Construction.....	+ 0.1	+ 0.3	+ 25.6 %
Non-Residential Construction....	+ 0.2	-	+ 0.6 %
Machinery and Equipment.....	+ 0.1	-	+ 2.7 %
Exports.....	+ 0.3	+ 0.6	+ 11.7 %
 TOTAL FINAL PURCHASES (ex. inventories).....	 + 1.1	 + 2.2	 + 7.4 %
Change in Inventories.....	- 0.2	+ 0.7	N.A.
(Business only).....	(-)	(+ 0.3)	(N.A.)
Imports.....	- 0.5	- 0.7	+ 11.9 %
Error.....	-	-	-
 GROSS NATIONAL EXPENDITURE....	 + 0.5	 + 2.2	 + 9.3 %
 GROSS AVAILABLE SUPPLY <sup>1</sup> .....	 + 1.0	 + 2.9	 9.8 %

Figures will not add by +.1 or -.1 due to rounding.

1. Gross National Expenditure (production) plus imports.

### GROSS NATIONAL PRODUCT

#### Wages, Salaries and Supplementary Labour Income

Labour income continued to rise in the third quarter of 1955, increasing by 3 per cent over the second quarter to a rate of \$13.1 billion. A comparison with the third quarter of last year shows an increase of over 8 per cent. Accompanying this gain over a year ago, the number of paid workers with jobs increased by more than 5 per cent, while average weekly earnings in the major non-agricultural industries rose by more than 3 per cent.

The changes in production which were noted previously were reflected in the industrial components of labour income. Thus, from the second to the third quarter of 1955, the primary industries including forestry and mining showed the largest gain, followed by construction and the service industries. The increase in labour income in manufacturing from the second quarter was smaller than in recent quarters.

Comparing the first nine months of 1955 with the same period a year ago, labour income shows an increase of nearly 7 per cent. Total wages and salaries in the primary industries, manufacturing and the trade group advanced by between



4 and 6 per cent, while finance, the services, and construction registered gains between 9 and 12 per cent. Since the consumer price index changed very little during this period, the increases in labour income noted above represented almost completely a gain in real terms.

### Investment Income

Investment income reached a level of \$4.7 billion at seasonally adjusted annual rates in the third quarter of 1955, 3 per cent above the previous quarter. Compared with the third quarter of 1954, investment income was higher by 26 per cent. The main contributing factor in the rise of investment income, both from the second quarter of this year and from the comparable quarter of last year was the increase in corporation profits. However, while corporation profits in all industrial groups contributed to the rise in investment income from a year ago, the increase in corporation profits from the second quarter of this year was concentrated in the non-manufacturing industries, reflecting the trend which was noted previously. Other components of investment income showed little change from the second quarter, though they increased considerably over the third quarter of last year. Especially noteworthy were the gains in net rental income received by persons and in profits of government business enterprises.

During the first nine months of 1955, investment income rose by 20 per cent over the corresponding period of 1954. Corporation profits were again the major factor in this increase, while other components including net rents and government investment income were also higher.

### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production at seasonally adjusted annual rates was at \$1.3 billion in the third quarter of 1955, compared with the annual average of \$1.1 billion for the full year 1954. The increase in the rate of accrued net farm income for the first nine months of 1955 was 27 per cent over the first nine months of 1954, reflecting for the most part a larger grain crop. Although the rise in production was sharp, sales of grain off farms showed little change with the result that farm cash income was about level with the previous year.

The seasonally adjusted rate of net income of non-farm unincorporated business amounted to \$1.7 billion in the third quarter of 1955. The change in this component from the second quarter of this year was minor; compared with the same quarter of a year ago an increase of 5 per cent occurred largely accounted for by gains in the retail trade and construction groups.

### Indirect Taxes less Subsidies

Indirect taxes less subsidies were at a seasonally adjusted annual rate of \$3.2 billion in the third quarter of 1955, an increase of about 2 per cent over the second quarter. The increase in this component from the third quarter of last year amounted to 12 per cent, attributable almost entirely to indirect taxes. Federal customs import duties have shown a gain over a year ago of 22 per cent, approximately the same as the percentage rise in imports of goods. At the same time, the increase in domestic production and shipments of goods has been accompanied by higher revenues from sales and excise taxes. Larger outlays by consumers on alcoholic beverages and tobacco have given rise to increased federal excise duties.



## GROSS NATIONAL EXPENDITURE

### Personal Expenditure on Consumer Goods and Services

Consumer outlays for goods and services, seasonally adjusted, rose by 2 per cent between the second and third quarters, to an annual rate of \$17.0 billion. This represents an increase of approximately 7 per cent over the third quarter of last year.

The recent gain in consumer expenditure was most pronounced in the field of durable goods purchases, where the gain of 8 per cent from the high second quarter level accounted for about half of the advance in total consumer outlays. In contrast to the second quarter advance, where sales of new passenger automobiles were the key factor in pushing up durable goods purchases, the gain in the third quarter was more widespread, with substantial increases occurring in sales of appliances, home furnishings and furniture, as well as automobiles.

Sales of non-durable goods showed a slight rise from the second to third quarter, with small movements occurring throughout most of the component sub-groups. Compared with a year ago, consumer outlays for non-durable goods were at a rate approximately 6 per cent higher in the third quarter of this year.

Consumer outlays for services continued to move upward in the third quarter, and were at a rate about 6 per cent over a year ago.

Over the course of the past year, prices of durable goods have declined by approximately 5 per cent. Prices of non-durable goods have shown a more moderate drop while prices of services have continued to move upward.

Taking the first nine months of 1955 as a whole, consumer outlays for durable goods have shown a gain of 14 per cent over the same period of a year ago. Some of the more striking increases have occurred in the following items: new passenger cars, unit sales of which were up by 21 per cent over last year; refrigerators, shipments of which were up by 17 per cent; washing machines, shipments of which were up by 21 per cent; and television sets, shipments of which were up by 32 per cent. The gain in total consumer durable goods purchases over a year ago has been accompanied by an increase in consumer credit outstanding; the most recent figures for the second quarter indicate a rise of 11 per cent over the second quarter of 1954, and available information suggests that the increase may be somewhat larger in the third quarter comparison. At the same time the third quarter rate of personal disposable income has risen by about 10 per cent over a year ago.

In the nine-month comparison, non-durable goods purchases have risen by 5 per cent, with gains of approximately the same order in sales of food and tobacco and alcoholic beverages; clothing purchases showed only a small increase over the period. Consumer outlays for services have been running about 6 per cent above a year ago in the first nine months of 1955.

### Government Expenditure on Goods and Services

Government expenditure on goods and services, seasonally adjusted, showed a moderate increase of 3 per cent from the second to the third quarter of 1955 and was at an annual rate of \$4.8 billion; this constituted a gain of 7 per

cent above the third quarter of a year ago. The increase in government expenditure over last year was the result of higher outlays for salaries and wages at all three levels of government, higher defence expenditure, higher provincial highway construction, and the expansion of municipal facilities associated with the high level of house building activity.

### Gross Domestic Investment (ex.Inventories)

In the third quarter of 1955, investment in durable capital goods was an important expansionary element in final demand, accounting for an increase over the second quarter of \$0.4 billion at annual rates.

Outlays for new residential construction continued to rise, although at a more moderate rate than in preceding quarters, reaching a level of \$1.5 billion in the third quarter; this constitutes a rise of about 25 per cent over a year ago. Most of this increase represented a real gain, as house building costs rose by about 3 per cent in the yearly comparison. It is of interest to note that about one-half of this price increase has taken place within the past three months, as prices of some lumber and metal products have risen.

Investment in new non-residential construction, which had shown little movement since the downturn in late 1953, moved sharply upward in the third quarter to a rate of \$1.8 billion, 10 per cent above the second quarter, and 6 per cent above the third quarter of last year. As noted in connection with house building, construction costs have begun to edge upward recently, so that some of the recent value increase represented price gains. In the year-to-year comparison, prices of non-residential building materials rose by 2 1/2 per cent.

The recent rise in non-residential construction along with a continued high level of house building has been accompanied by a 13 per cent increase in employment in construction relative to a year ago.

The sharp increase in investment in machinery and equipment noted in the second quarter continued into the third quarter, raising the annual rate to about \$1.9 billion, the highest level since the downturn in late 1953. This development has brought the third quarter level to a point about 16 per cent above the same period of a year ago. Associated with these increases were gains in business purchases of motor vehicles, and a sharp increase in imports of machinery. On the whole, there was little price movement in machinery items, so that the value gains over a year ago were approximately matched by volume increases.

This recent upsurge in business durable investment has been paralleled in the United States, where it has been attributed, in part, to the growing pressure of demand on existing capital facilities and sharply increased profits.

### Investment in Inventories

Investment in inventories in the third quarter of 1955 was estimated to be \$860 million, almost all of which reflects harvesting operations on the farms and the movement of grains into commercial channels. This compares with a build-up of about \$394 million in the same part of 1954, following the poor crop of that year. Business inventories in the third quarter of 1955 rose by only \$35 million, an amount consistent with normal seasonal requirements. After allowance for seasonal variations, therefore, business inventories were almost unchanged



from the level of the second quarter of this year.

The relative stability in business holdings was fairly general throughout the industrial groups. Some drawing down of stocks at the manufacturing level took place, associated with the strong consumer, investment and export demands. In the wholesale and retail trades, almost no change beyond normal seasonal movements occurred. At the retail level, this stability reflected an increase in stocks of non-durable goods, offset by some liquidation of motor vehicle inventories as sales of automobiles exceeded seasonal levels. The small overall net increase in business inventories (seasonally adjusted) took the form of minor advances in forestry, mining and some of the other industry groups. Such a low rate of business inventory accumulation during a period of rapid general expansion in activity, is in contrast to the general pattern of the post war years when such periods of expansion were usually marked by a substantial build-up of stocks.

In the second and third quarters of 1955, the volume of goods becoming available from domestic production rose sharply, and this was accompanied by a large gain in imports. This increased supply, however, has been approximately matched by the high levels of final purchases, with resulting stability in the level of business inventories. With the rapid expansion in final purchases and the relative stability in business inventory holdings, the ratio of stocks to sales has been falling off, particularly in the second and third quarters of this year.

Although investment in business inventories in the two most recent quarters has been relatively minor, it is interesting to note the significance which the turn-around in the inventory position has had throughout the decline in economic activity from mid 1953 to mid 1954 and again in the subsequent expansion.

During the contraction in activity between the third quarter of 1953 and the third quarter of 1954, Gross National Expenditure declined by about \$0.7 billion at annual rates, and the turn-around in business inventory investment from net accumulation to liquidation amounted to \$0.8 billion. During the subsequent expansion to the third quarter of 1955, Gross National Expenditure rose by \$2.9 billion at annual rates, while the swing in business inventories amounted to \$0.5 billion as stock depletions ended and some small net investment occurred.

#### Exports and Imports of Goods and Services<sup>1</sup>

Reflecting strong United States and overseas demand for Canadian products, and a rising level of Canadian production, exports and imports of goods and services reached record heights in the third quarter of 1955. The gain in exports was 6 per cent, and in imports, 8 per cent. The most recent increases have brought the level of exports to a point 11 per cent above the third quarter of 1954, and the level of imports to a point 18 per cent above a year ago.

The major share of these gains in exports from both the second quarter and a year ago occurred in commodity trade. Growing demands for Canadian

1. For a fuller discussion see "Quarterly Estimates of the Canadian Balance of International Payments, Third Quarter, 1955" (Dominion Bureau of Statistics).



primary products associated with high levels of production in the United States, United Kingdom and the rest of the Sterling Area, were reflected in rising exports of non-ferrous metals, along with a high level of shipments of wood and wood products. Other increases were related to the development of new mining and industrial capacity; exports of petroleum, chemical and particularly iron ore showed substantial gains over the previous year. These developments were accompanied by higher levels of activity in mining, forestry and in wood and paper manufacturing. It might be noted that much of the gain in exports of non-ferrous metal products represented significant price increases in the past year.

Imports of goods, seasonally adjusted, rose rapidly between the second and third quarters, and were also much higher than a year ago with the gains being fairly widespread throughout most of the groups. Sharp advances in imports of fibres and textiles were related to higher levels of clothing and textile production, while the large increase in imports of iron and its products was associated with rising levels of demand for consumer durables and investment in new machinery. Part of the increase in imports appears to be related to the end of the strikes which interrupted British trade in the second quarter of this year.

It is interesting to note that imports of goods have increased by 22 per cent since the third quarter of 1954, compared with an advance in manufacturing production of 10 per cent. This volatility of imports was also observed during the course of the recent downturn, (mid 1953 to mid 1954) when a decline of 10 per cent occurred, compared with a drop of only 5 per cent for manufacturing production.

For the nine months as a whole, the deficit on current account (on the National Accounts basis), rose to \$407 million, from \$336 million for the same period in 1954. The major part of the increase in the deficit was accounted for by the invisible items, as gains in receipts from tourist and travel, and interest and dividends from non-residents were more than offset by larger payments on these items. However, the value of the Canadian dollar remained relatively stable in the third quarter, and the net long-term capital inflow virtually offset the deficit on current account.

While prices of imports were relatively unchanged in the past year, an increase in export prices of about 3 per cent has led to an improvement in the terms of trade since the third quarter of 1954.

### Personal Income and Expenditure

Personal income, seasonally adjusted, was at a rate of \$19.8 billion in the third quarter, almost level with the second quarter, but 9 per cent above a year ago.

Offsetting movements accounted for the stability of personal income between the second and third quarters. Gains in employment and average weekly earnings have each contributed to a higher level of wages and salaries, while interest, dividends and net rental income of persons continued upward; the rise in dividend payments has been much more moderate than recent gains in corporation profits. Offsetting these increases, there were declines in government transfer payments and in net income received by farm operators from farm production, the latter reflecting partly the absence of any grain adjustment payment in the third quarter.

Compared with a year ago, all components of personal income were higher in the third quarter. Of the \$1.7 billion increase in the annual rate over the last year, \$1.0 billion was accounted for by wages and salaries, \$0.3 billion by higher farm income, and the balance by gains in government transfer payments, interest, dividends and net rental income, and net income of non-farm unincorporated business.

Turning to the expenditure side, personal expenditure on consumer goods and services, seasonally adjusted, rose by 2 per cent from the second to the third quarter, with durable goods purchases accounting for about half of the increase. At the same time, personal direct taxes rose by 6 per cent, reflecting lower-than-normal payments in the second quarter, in turn associated with the final tax payments on reduced unincorporated business income in 1954.

For the first nine months of 1955, personal saving was running at an average rate of \$1.5 billion compared with a rate of \$1.1 billion for the year 1954 as a whole. The rise in saving over a year ago reflects in part the higher grain crop of 1955.





TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income...	2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,326
2. Military Pay and Allowances.....	83	92	95	97	367	93	100	101
3. Investment Income.....	843	965	1,002	905	3,715	907	1,184	1,267
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	42	119	734	163	1,058	21	146	1,081
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	334	426	445	440	1,645	346	450	468
6. NET NATIONAL INCOME AT FACTOR COST.....	4,157	4,549	5,350	4,718	18,774	4,351	5,033	6,243
7. Indirect Taxes less Subsidies.....	716	734	728	736	2,914	750	778	814
8. Depreciation Allowances and Similar Business Costs	575	639	630	667	2,511	609	672	674
9. Residual Error of Estimate.....	-42	-100	-46	30	-158	-63	-64	-95
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,406	5,822	6,662	6,151	24,041	5,647	6,419	7,636
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,364)	(5,703)	(5,928)	(5,988)	(22,983)	(5,626)	(6,273)	(6,555)

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,593	3,925	3,801	4,357	15,676	3,737	4,217	4,095
2. Government Expenditure on Goods and Services <sup>1,4</sup> ..	1,121	874	1,183	1,183	4,361	1,167	950	1,265
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction.....	206	283	334	343	1,166	246	377	422
4. New Non-Residential Construction.....	335	414	491	436	1,676	320	405	522
5. New Machinery and Equipment.....	429	508	402	372	1,711	387	542	467
6. Change in Inventories.....	-136	-118	394	-420	-280	-120	29	860
7. (Business Inventories only) <sup>3</sup> .....	(104)	(-1)	(-75)	(-148)	(-120)	(141)	(97)	(35)
8. Exports of Goods and Services.....	1,089	1,278	1,397	1,372	5,136	1,208	1,414	1,551
9. Deduct: Imports of Goods and Services.....	-1,272	-1,442	-1,386	-1,462	-5,562	-1,360	-1,579	-1,641
10. Residual Error of Estimate.....	41	100	46	-30	157	62	64	95
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,406	5,822	6,662	6,151	24,041	5,647	6,419	7,636

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1954					1955		
I	II	III	IV	Year	I	II	III
528	360	399	440	1,727	520	391	414

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income...	2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,326
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-96	-99	-99	-101	-395	-101	-102	-104
3. Military Pay and Allowances.....	83	92	95	97	367	93	100	101
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	48	130	709	198	1,085	-1	163	1,068
5. Net Income of Non-Farm Unincorporated Business....	334	426	445	440	1,645	346	450	468
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	422	474	454	475	1,825	476	501	498
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	473	381	371	376	1,601	522	410	386
8. Charitable Contributions by Corporations.....	6	8	7	7	28	6	10	9
9. Net Bad Debt Losses of Corporations.....	6	7	7	8	28	6	7	7
10. PERSONAL INCOME.....	4,131	4,366	5,063	4,613	18,173	4,331	4,692	5,759

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1954-1955  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	298	356	313	323	1,290	310	336	322
2. Succession Duties.....	17	17	19	24	77	21	23	23
3. Miscellaneous.....	23	15	9	12	59	28	18	12
4. Total Personal Direct Taxes.....	338	388	341	359	1,426	359	377	357
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	1,953	2,160	2,167	2,600	8,880	2,004	2,278	2,295
6. Durable Goods.....	394	474	397	417	1,682	388	567	482
7. Services <sup>1</sup> .....	1,246	1,291	1,237	1,340	5,114	1,345	1,372	1,318
8. Total Personal Expenditure on Consumer Goods and Services.....	3,593	3,925	3,801	4,357	15,676	3,737	4,217	4,095
Personal Saving:								
9. Personal Saving Excluding Farm Inventory Change.	396	137	469	214	1,216	438	162	530
10. Farm Inventory Change.....	-196	-84	452	-317	-145	-203	-64	777
11. Total Personal Saving.....	200	53	921	-103	1,071	235	98	1,307
12. PERSONAL INCOME.....	4,131	4,366	5,063	4,613	18,173	4,331	4,692	5,759
13. (Personal Disposable Income) <sup>2</sup> .....	(3,793)	(3,978)	(4,722)	(4,254)	(16,747)	(3,972)	(4,315)	(5,402)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1954-1955  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income...	11,768	11,936	12,080	12,172	11,989	12,284	12,732	13,104
2. Military Pay and Allowances.....	332	368	380	388	367	372	400	404
3. Investment Income.....	3,668	3,708	3,656	3,828	3,715	3,940	4,512	4,668
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,148	1,068	1,008	1,008	1,058	1,344	1,428	1,308
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	1,616	1,624	1,652	1,688	1,645	1,672	1,716	1,740
6. NET NATIONAL INCOME AT FACTOR COST.....	18,532	18,704	18,776	19,084	18,774	19,612	20,788	21,224
7. Indirect Taxes less Subsidies.....	2,904	2,984	2,884	2,884	2,914	3,052	3,164	3,232
8. Depreciation Allowances and Similar Business Costs	2,420	2,544	2,536	2,544	2,511	2,564	2,672	2,708
9. Residual Error of Estimate.....	16	-272	-248	-128	-158	-36	-252	-296
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	23,872	23,960	23,948	24,384	24,041	25,192	26,372	26,868
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,724)	(22,892)	(22,940)	(23,376)	(22,983)	(23,848)	(24,944)	(25,560)

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1954-1955  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services	15,376	15,600	15,812	15,916	15,676	16,004	16,660	16,984
2. Government Expenditure on Goods and Services <sup>1</sup> ....	4,224	4,312	4,472	4,436	4,361	4,472	4,620	4,768
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction.....	1,084	1,092	1,200	1,288	1,166	1,288	1,448	1,504
4. New Non-Residential Construction.....	1,676	1,640	1,716	1,672	1,676	1,620	1,636	1,808
5. New Machinery and Equipment.....	1,772	1,756	1,708	1,608	1,711	1,604	1,824	1,948
6. Change in Inventories.....	172	-428	-808	-56	-280	500	308	104
7. (Business Inventories only) <sup>3</sup> .....	(300)	(-356)	(-460)	(36)	(-120)	(364)	(28)	(36)
8. Exports of Goods and Services.....	5,060	5,156	5,148	5,180	5,136	5,604	5,624	5,940
9. Deduct: Imports of Goods and Services.....	-5,472	-5,440	-5,548	-5,788	-5,562	-5,936	-6,000	-6,484
10. Residual Error of Estimate.....	-20	272	248	128	157	36	252	296
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	23,872	23,960	23,948	24,384	24,041	25,192	26,372	26,868

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excludes grain in commercial channels and farm inventories.



TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income...	11,768	11,936	12,080	12,172	11,989	12,284	12,732	13,104
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-376	-396	-404	-404	-395	-396	-412	-420
3. Military Pay and Allowances.....	332	368	380	388	367	372	400	404
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,172	1,112	908	1,148	1,085	1,260	1,496	1,256
5. Net Income of Non-Farm Unincorporated Business....	1,616	1,624	1,652	1,688	1,645	1,672	1,716	1,740
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,760	1,812	1,840	1,888	1,825	1,988	1,952	1,996
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	1,608	1,608	1,564	1,624	1,601	1,776	1,728	1,628
8. Charitable Contributions by Corporations.....	28	28	28	28	28	24	40	36
9. Net Bad Debt Losses of Corporations.....	28	28	28	28	28	24	28	28
10. PERSONAL INCOME.....	17,936	18,120	18,076	18,560	18,173	19,004	19,680	19,772

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	1,264	1,228	1,352	1,316	1,290	1,316	1,236	1,320
2. Succession Duties.....	68	68	76	96	77	84	92	92
3. Miscellaneous.....	64	60	56	56	59	76	72	72
4. Total Personal Direct Taxes.....	1,396	1,356	1,484	1,468	1,426	1,476	1,400	1,484
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	8,720	8,860	8,912	9,028	8,880	8,988	9,324	9,408
6. Durable Goods.....	1,728	1,656	1,728	1,616	1,682	1,696	1,936	2,100
7. Services <sup>1</sup> .....	4,928	5,084	5,172	5,272	5,114	5,320	5,400	5,476
8. Total Personal Expenditure on Consumer Goods and Services.....	15,376	15,600	15,812	15,916	15,676	16,004	16,660	16,984
Personal Savings:								
9. Personal Saving Excluding Farm Inventory Change.	1,384	1,376	888	1,216	1,216	1,424	1,464	1,268
10. Farm Inventory Change.....	-220	-212	-108	-40	-145	100	156	36
11. Total Personal Saving.....	1,164	1,164	780	1,176	1,071	1,524	1,620	1,304
12. PERSONAL INCOME.....	17,936	18,120	18,076	18,560	18,173	19,004	19,680	19,772
13. (Personal Disposable Income) <sup>2</sup> .....	(16,540)	(16,764)	(16,592)	(17,092)	(16,747)	(17,528)	(18,280)	(18,288)

1. Includes net expenditure abroad.

2. Personal Income Less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS,  
UNADJUSTED FOR SEASONALITY <sup>1</sup>  
(millions of dollars)

	1954				Year	1955		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services	3,047	3,327	3,199	3,689	13,262	3,146	3,583	3,481
2. Non-Durable Goods.....	1,753	1,946	1,938	2,337	7,974	1,813	2,057	2,076
3. Durable Goods.....	347	418	353	373	1,491	351	525	456
4. Services.....	947	963	908	979	3,797	982	1,001	949
5. Government Expenditure on Goods and Services.....	859	660	907	898	3,324	873	702	944
Gross Domestic Investment:								
6. New Residential Construction.....	162	222	260	266	910	190	290	319
7. New Non-Residential Construction.....	250	313	376	333	1,272	238	299	381
8. New Machinery and Equipment.....	359	423	337	307	1,426	321	453	386
9. Change in Inventories.....	-159	-154	545	-517	-285	-217	-42	1,032
10. (Business Inventories only).....	(115)	(11)	(-40)	(-137)	(-51)	(93)	(65)	(9)
11. Exports of Goods and Services.....	990	1,151	1,264	1,260	4,665	1,090	1,247	1,361
12. Deduct: Imports of Goods and Services.....	-1,159	-1,298	-1,250	-1,331	-5,038	-1,223	-1,416	-1,472
13. Residual Error of Estimate.....	34	82	38	-25	129	50	52	77
14. GROSS NATIONAL EXPENDITURE.....	4,383	4,726	5,676	4,880	19,665	4,468	5,168	6,509

1. See footnotes, Table 2.

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INCOME AND EXPENDITURE  
FOURTH QUARTER  
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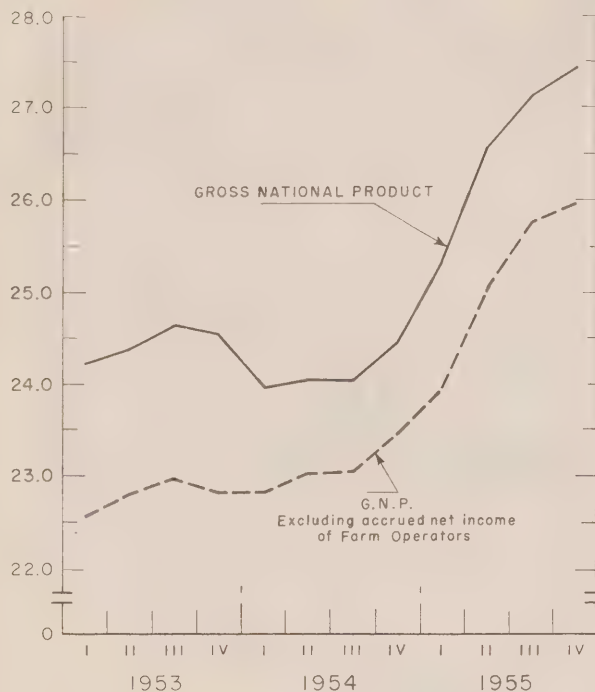
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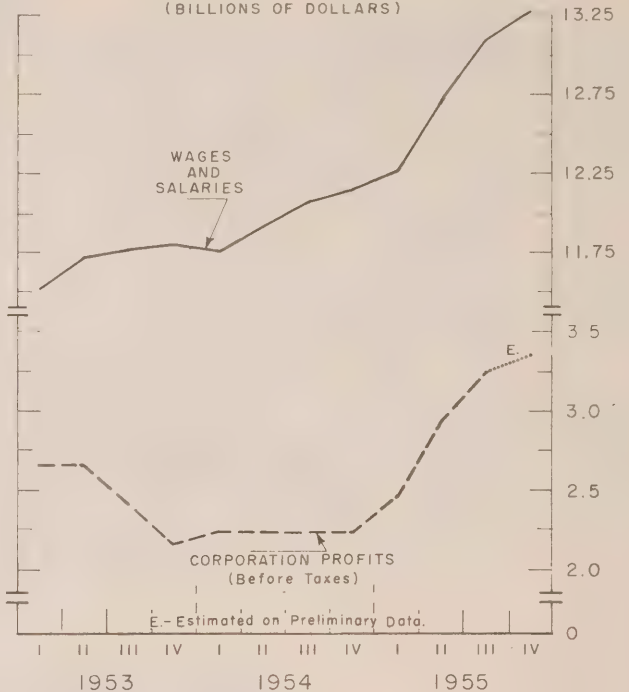
### GROSS NATIONAL PRODUCT AVERAGED \$26.6 BILLION IN 1955

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



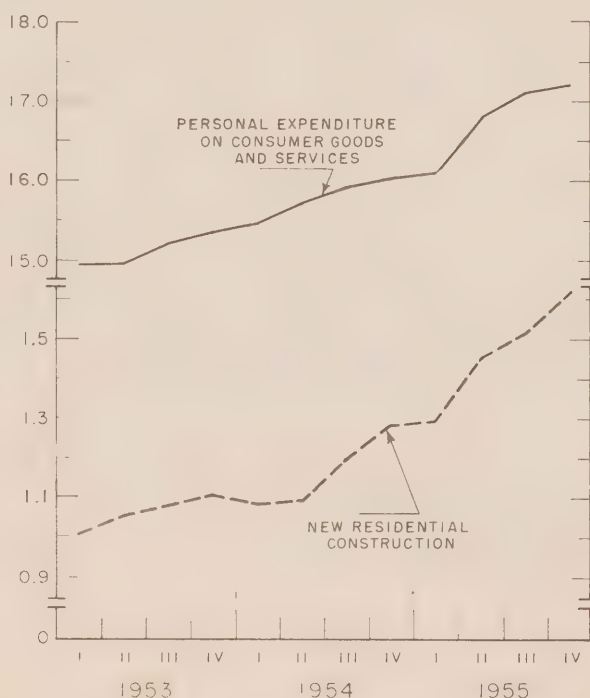
### GAINS IN WAGES AND SALARIES AND CORPORATION PROFITS WERE THE MAJOR FACTORS IN THE RISE IN INCOME

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



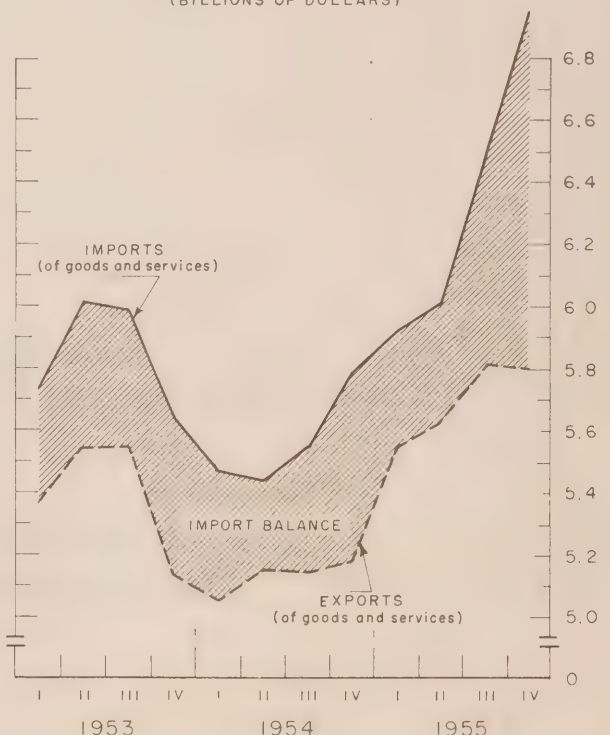
### OUTLAYS FOR CONSUMER GOODS AND INVESTMENT IN NEW HOUSING ACCOUNTED FOR HALF OF THE GROWTH IN FINAL PURCHASES IN 1955

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



### BOTH EXPORTS AND IMPORTS INCREASED MARKEDLY IN 1955

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



## INTRODUCTION

### Review of the Year 1955

The year 1955 witnessed a sharp recovery from the mild contraction in economic activity which had characterized the period mid-1953 to mid-1954. Output of goods and services, which was beginning to rise in the latter part of 1954, expanded rapidly throughout 1955, and for the year as a whole was approximately 10 per cent higher than in the full year 1954. The upswing lifted the Gross National Product to \$26.6 billion in 1955, compared with \$24.1 billion in the previous year. With final product prices relatively stable, this increase reflected almost entirely an expansion in the volume of production, which showed the largest gain of any single post-war year. It may be recalled that in 1954 the volume of output declined by 3 per cent while some increases in the labour force and productive capacity were taking place. These developments made possible the very sharp increase in the volume of output in 1955. The increase over the year 1953, which was the previous peak year in terms of volume of production, is estimated to be of the order of 6 per cent. By the end of 1955, Gross National Product, seasonally adjusted, was running at a rate 11 per cent above the peak third quarter of 1953, in value terms.

Several important expansionary factors contributed to the \$2.5 billion growth in output over the course of the year 1955. Of primary importance was the rise in personal expenditure on consumer goods and services, which led the advance in final purchases with a gain of \$1.0 billion. All segments of consumer outlays showed increases, with a major advance recorded in the durable goods group. It is interesting to note that per capita personal consumption in volume terms was about 12 per cent above the 1949 level in 1955, and that one-third of this increase occurred between 1954 and 1955. Per capita consumption of durable goods was 40 per cent above the year 1949. Accompanying this advance in the consumer sector, residential construction outlays showed a sharp rise in 1955, with a gain of \$0.3 billion or about 25 per cent. This increase reflected both the sharp rise in personal incomes as well as the ready availability of mortgage funds. Consumer outlays and housing expenditures together accounted for more than one-half of the increase in Gross National Expenditure in 1955.

Exports of goods and services, which declined in 1954, recovered strongly in 1955, rising by \$0.6 billion or by 11 per cent. This strength in foreign demand for Canadian goods and services was associated with the marked recovery of business activity in the United States and the rising level of activity in overseas countries. The bulk of the gain in exports was concentrated in wood and wood products, iron and its products, and non-ferrous metals, with declines occurring in the agricultural products groups.

Turning to the investment sector, business outlays for plant, machinery, and equipment absorbed \$0.3 billion of the \$2.5 billion increase in total output in 1955. It may be recalled that business investment outlays for new construction and machinery and equipment declined late in 1953 and early in 1954, after which time they remained relatively stable. During 1955, in response to a sharp rise in profits and the growing pressure of demand on existing capital facilities, business investment outlays began to rise and were moving upward strongly at year end. Imports of machinery and equipment items were especially heavy in the last half of the year. The outlook for 1956 is for a very pronounced increase in all types of investment in durable assets.



Additional expansionary factors in 1955 were government expenditures for goods and services, which rose by \$0.3 billion, with gains occurring at all three major levels; the larger grain crop, which contributed about \$0.3 billion to the gain in total Gross National Product; and the swing in business inventories from liquidation in 1954 to net accumulation in 1955, amounting to \$0.4 billion. Under these various stimuli, Canadian production rose at an uninterrupted pace throughout 1955, although a considerable part of both final and inventory demand was channelled into imports which rose by more than \$0.7 billion over the year 1954.

These changes in the pattern of final expenditures between 1954 and 1955 are shown in the table below. Also shown are the shifts in the demand pattern during the course of the 1953-1954 downturn, the subsequent recovery in the last half of 1954, and the sharp advance from the fourth quarter of 1954 through to the final quarter of 1955. It may be noted that during the course of the downturn, all components of demand were declining with the exception of consumer expenditure which continued to rise in response to the small but steady growth of personal income. In the last half of 1954 most of the major segments of demand which had previously been declining had either stabilized or were moving upward again, and during 1955 all of these major demand categories rose at sharply accelerated rates. During the first half of 1955, the increase in final purchases was closely paralleled by the rise in Canadian production, with imports showing only a moderate increase. In the last half of the year, however, imports rose very sharply and a substantial portion of the gain in final purchases as well as the stepped-up inventory demand were met from foreign sources of supply. Thus, the rise in Canadian production in the last half of 1955 was somewhat smaller than that which occurred earlier in the year. This development reflects the fact that in the latter part of 1955 the Canadian economy was approaching capacity production in some lines and the quarter-to-quarter increases in output were accordingly less substantial.

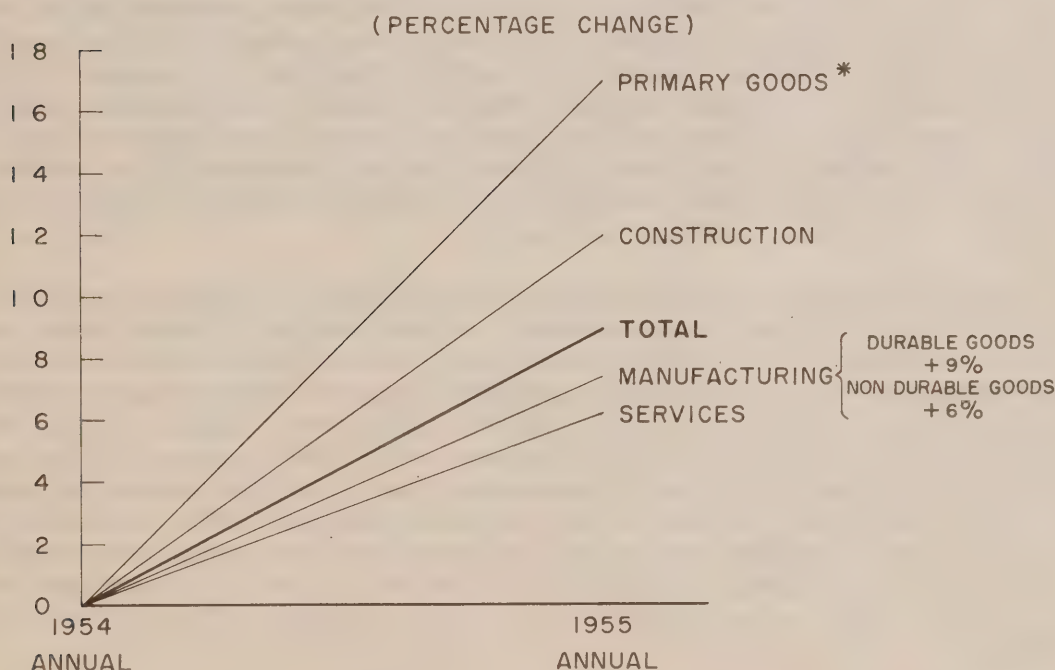
	<u>\$ Billions</u>			<u>Changes in \$ Billions</u> (seasonally adjusted at annual rates)		
	1954	1955	1954	III Q.53	II Q.54	IV Q.54
			to 1955	to II Q.54	to IV Q.54	to IV Q.55
Personal Expenditure	15.8	16.8	1.0	0.5	0.3	1.2
Government Expenditure	4.4	4.6	0.3	-0.2	0.1	0.2
Residential Construction	1.2	1.5	0.3	-	0.2	0.3
Non-Res. Construction	1.7	1.8	0.1	-0.2	-	0.3
Machinery and Equipment	1.8	2.0	0.2	-0.3	-0.1	0.5
Exports	<u>5.1</u>	<u>5.7</u>	<u>0.6</u>	<u>-0.4</u>	<u>-</u>	<u>0.6</u>
Total Final Purchases (ex inventories)	<u>30.0</u>	<u>32.4</u>	<u>2.5</u>	<u>-0.7</u>	<u>0.5</u>	<u>3.1</u>
Change in Inventories (Business only)	-0.3	0.5	0.7	-0.7	0.4	0.7
	(-0.1)	(0.3)	(0.4)	(-0.7)	(0.4)	(0.5)
Imports	-5.6	-6.3	+(-0.8)	-(-0.6)	+(-0.3)	+(-1.2)
Error	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.3</u>	<u>-0.1</u>	<u>0.3</u>
GROSS NATIONAL EXPENDITURE	<u>24.1</u>	<u>26.6</u>	<u>2.5</u>	<u>-0.6</u>	<u>0.4</u>	<u>2.9</u>
Gross Available Supply (G.N.E. plus imports)	29.7	33.0	3.3	-1.1	0.8	4.1

Note: Figures will not add by +.1 or -.1 due to rounding.



This strength in end-product demand in 1955 was reflected in the expansion of the various industrial sectors, where production increases over 1954 were widely dispersed and substantial in size. Manufacturing production showed an increase of about 7 per cent, with durable goods production up by about 9 per cent and non-durable goods production up by about 6 per cent. Substantial increases occurred in almost all of the manufacturing groups which had been affected by the earlier contraction in activity, including iron and steel products (up 14 per cent), electrical apparatus and supplies (up 12 per cent) and textiles (up 15 per cent). Sharp gains were also recorded in wood products, non-ferrous metal products, and non-metallic mineral products. The only major group to show a decline over the year was transportation equipment which was down about 2 per cent in spite of a 30 per cent increase in motor vehicle output. It may be noted that, despite these large gains in the manufacturing sub-groups, certain industries remained below the level of output which they achieved in 1953. Among these groups were clothing and textiles, transportation equipment, and iron and steel products.

## THE VOLUME OF PRODUCTION MAJOR INDUSTRIAL GROUPS



Related indicators suggest that in the construction industry, a gain of about 12 per cent occurred, reflecting the record year in housing and the recovery of non-residential construction. In the services group taken as a whole, the advance amounted to about 6 per cent in 1955, marking a continuation of a general upward trend in these areas of economic activity. In the primary industries group, a large gain is indicated for agriculture, while forestry, public utilities, and mining have shown increases ranging from 7 to 16 per cent. Output of electric power showed an advance of 10 per cent, while within the mining group, metals, non-metals, and fuels advanced by 11, 15 and 28 per cent respectively; these latter gains were partly related to strong foreign demand and the coming into production of new sources of supply.

Accompanying these developments on the production side in 1955, both personal and business incomes continued to expand, reflecting for the most part advances in wages and salaries and in investment income including corporation profits. The successive quarter-to-quarter gains in these two important income categories accounted for the greater part of the enlarged flow of income during the course of the year. Thus, wages and salaries were approximately 7 per cent above the level of the year 1954, while investment income was about 20 per cent higher, with corporation profits rising by about 24 per cent. At the same time, account must be taken of the important increase in net income of farm operators resulting from the substantially higher level of crop production in 1955. National Income as a whole was approximately 11 per cent above the previous year.

The rising tempo of economic activity in 1955 was accompanied by a substantial increase in employment, and a decline in unemployment. At year-end the number of persons with jobs was about 4 per cent higher than in the same period of 1954, while the number of persons without jobs and seeking work in Canada was almost 20 per cent below the level of December 1954, or 3.6 per cent of the total labour force. The number of persons with jobs in the non-agricultural sector rose by 7 per cent during the period. Average hours worked per week in manufacturing increased during the year by about 1 per cent.

Prices on average were relatively stable during the course of 1955. However, prices of non-agricultural primary materials began to edge upward more noticeably after mid-year, while agricultural prices continued to decline. In particular, prices of non-grain exports products (especially non-ferrous metals) showed increases, and the export price index of goods rose by 2 per cent. As the price of imported goods showed a smaller advance, a slight improvement in Canada's terms of trade took place in 1955. Construction material prices also increased somewhat in 1955, especially in the latter half of the year. The continued decline in agricultural prices in 1955 reflected the large stocks of grains and ample supplies of other agricultural products in Canada and abroad. The wholesale price index rose by 3 per cent during the year, while the consumer price index showed little change.

#### The Fourth Quarter

Gross National Product was running at a seasonally adjusted annual rate of \$27.4 billion in the fourth quarter of 1955, an increase of about 1 per cent over the third quarter rate. The increase in the fourth quarter was the smallest since the upturn in economic activity began in mid-1954. The most recent increase has brought the rate of Gross National Product to a level about 3 per cent above the annual average for the year 1955 as a whole.



Almost all major segments of income and expenditure (seasonally adjusted) showed further gains in the fourth quarter, with the most prominent movement in expenditure occurring in the inventory sector where a build-up occurred in manufacturing and in wholesale trade. Present available data indicate that approximately one-half of this accumulation was accounted for by higher prices; the value of physical change of business inventories was smaller than that shown by the book value change. At the same time, a further sharp rise in imports of goods and services occurred, associated with the build-up of inventory stocks, growing strength in investment in plant, machinery and equipment, and higher levels of activity in durable goods production. The level of imports was in fact about 20 per cent above the same period of the preceding year in the last half of 1955.

The gain in production in the fourth quarter was concentrated almost entirely in mining, durable goods manufacturing, and the trade groups. Within manufacturing, a major gain occurred in output of electrical apparatus and supplies, while output of iron and steel products showed a further large advance; production of transportation equipment was slightly lower in the fourth quarter than in the third, after allowing for seasonal factors.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Wages, Salaries, and Supplementary Labour Income

Labour income rose to nearly \$12.9 billion in 1955, a gain of more than 7 per cent from the level of the preceding year. This increase compares with a gain of only 2 per cent between 1953 and 1954. The rise in labour income in 1955 was associated with a gain in the number of paid workers amounting to about 5 per cent, and an advance in average weekly earnings in the major non-agricultural industries of about 3 per cent. The gain of 3 per cent in average weekly earnings reflects both an increase in average hours worked per week and in average rates of pay. With average consumer prices remaining relatively unchanged in 1955, the increase in labour income from the previous year represented a further advance in "real" earnings.

The changes in production previously noted were paralleled to a large extent by changes in the industrial components of labour income in 1955. Wages and salaries in construction experienced the largest relative gain, rising by 14 per cent from the 1954 level. The increase in the finance and service industries amounted to approximately 10 per cent, and in manufacturing and the distributive trades, to 6 per cent. The primary industry group showed contrasting movements, with substantial increases occurring in the mining and forestry industries, offset in part by some fall-off of wages and salaries in agriculture and fishing. These variations in rates of advance in 1955 had no appreciable effect on the distribution of income earned by the main industrial groups.

The quarter-to-quarter movement of labour income was continuously upward in 1955, although the rate of growth slowed somewhat after mid-year. In the fourth quarter, labour income was running at a seasonally adjusted annual rate of \$13.3 billion, or 3 per cent above the annual average for the year as a whole.

##### Investment Income

Investment income amounted to \$4.5 billion in 1955, an increase of 20 per cent over 1954. Almost three-fourths of the gain in investment income is



attributable to a sharp advance in corporation profits, which are estimated to have risen by about 24 per cent over 1954. This is the first increase in corporation profits since 1951, when they rose rapidly in response to the upswing in industrial activity which followed the outbreak of hostilities in Korea. After the 1951 peak, when corporation profits amounted to \$2.8 billion, profits declined on a year-to-year basis. In 1955, profits reached a new peak of \$3.0 billion. It may be noted that in 1951, inventory valuation gains attributable to rising prices accounted for a substantial part of total profits, whereas in 1955 inventory gains of this nature were much more moderate.

Corporation profits in almost all industrial groups contributed to the rise in investment income in 1955; on the basis of nine months' data it appears that one-half of the industrial groups showed gains of over 20 per cent. The gains in mining, manufacturing, transportation, storage and communication, and trade were especially marked. Related evidence suggests that these trends continued in the fourth quarter.

All other elements of investment income showed gains in 1955. Interest and net rental receipts of persons rose by about 10 per cent, reflecting increases in average rents, the growth in the number of housing units, and higher deposit interest paid by banks. Government investment income also showed an increase of 10 per cent, associated in large part with higher profits of government business enterprises. It may be noted that dividends received by individuals rose much less sharply than corporation profits in 1955, so that retained earnings of corporations were correspondingly higher.

#### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production in 1955 amounted to \$1.4 billion, compared with \$1.1 billion in the previous year. This increase is entirely attributable to the higher value of crop production. It may be noted, however, that a large proportion of the total grain crop went into inventory accumulation in 1955 and much of the increase in production is represented by net additions to farm stocks of grain. Farm cash income declined slightly in 1955, with increased returns from wheat, flax, potatoes, and cattle being more than offset by lower returns from oats, barley, rye and hogs.

Net income of other unincorporated business advanced by about 7 per cent in 1955, to a level of \$1.8 billion. This rise was concentrated in construction and retail trade, with the former reflecting a higher volume of residential housing construction.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies amounted to \$3.2 billion in 1955, an increase of 9 per cent over 1954. At the federal level, the increase in indirect taxes amounted to 8 per cent, reflecting for the most part gains in customs import duties and in federal excise taxes and excise duties. The largest single increase occurred in customs import duties which rose by 17 per cent, responding to the sharp rise in merchandise imports of 15 per cent. Excise taxes and excise duties increased by 6 and 8 per cent respectively, reflecting a marked increase over the previous year in shipments of goods subject to these two types of taxes.

Provincial indirect taxes were higher by 13 per cent in 1955. Increased expenditures by consumers were mirrored in higher collections of general retail sales and gasoline sales taxes at the provincial level, while higher activity in the extractive industries such as mining and forestry contributed to an increase in public domain revenues. The increase of 5 per cent in municipal indirect taxes in 1955 can be ascribed mainly to higher real estate and personal property taxes, which continued to move upward as investment in residential and non-residential construction increased.

### COMPONENTS OF GROSS NATIONAL EXPENDITURE

#### Personal Expenditure on Consumer Goods and Services

As in 1954, the major expansionary force in the economy in 1955 was personal expenditure on consumer goods and services, which rose by 7 per cent over the previous year, to \$16.8 billion. The increase was associated with a sharp rise in the level of personal income, which showed the largest per capita gain in real terms of the post-war period. The rise in durable goods purchases in 1955 was especially marked, with a gain of about 11 per cent, while non-durable goods purchases and outlays for services showed gains of 6 and 7 per cent respectively. Non-durable goods purchases accounted for about one-half of the total gain in consumer outlays, although in percentage terms the increase was only about half as great as that for durable goods purchases. While there were marked shifts in the composition of consumer prices in 1955, on average they showed little change, so that the volume increase in total consumer expenditure paralleled the value increase of 7 per cent.

In the durable goods group, some of the more striking increases in 1955 occurred in the following items: new passenger cars, unit sales of which were up by 25 per cent over last year (the gain from the first to second quarter was particularly noteworthy); refrigerators, shipments of which were up by 14 per cent; washing machines, shipments of which were up by 25 per cent; and television sets, shipments of which were up by 22 per cent. Sales of furniture and appliance stores showed major gains in 1955. Prices of durable goods in 1955 were about 5 per cent below the average for the year 1954, so that the volume gain in durable goods purchases amounted to about 17 per cent, compared with the value gain of 11 per cent. The advance in total durable goods sales over a year ago was accompanied by an increase in instalment credit outstanding; the most recent figures for the third quarter indicate a rise of 10 per cent over the third quarter of 1954. In the same period, personal disposable income had risen by about 10 per cent. Total consumer credit outstanding (including cash personal loans) was up 16 per cent in the third quarter comparison.

The major gain in non-durable goods purchases in 1955 was in the food component, which rose by 5 per cent. In contrast to 1954, when purchases of clothing declined, there was a modest gain in this item in 1955. Gains in other sub-components of the non-durable goods group were widespread in 1955. With prices of non-durable goods relatively stable, the volume gain in non-durable expenditure in 1955 was approximately the same as the value increase of 6 per cent.

Consumer outlays for services continued to move upward in 1955. The advance was accompanied by a price increase, so that the volume of consumer services in 1955 was somewhat less than the value increase. This gain reflects to a substantial degree the increase in outlays for residential rents.



In the fourth quarter of 1955 personal expenditure on consumer goods and services was running at a rate of \$17.2 billion, about 2 per cent above the average for the year 1955 as a whole.

#### Government Expenditure on Goods and Services

Purchases of goods and services by all levels of government (federal, provincial and municipal) amounted to \$4.6 billion in 1955, 6 per cent above the 1954 level. The increase over 1954 reflected gains in federal and provincial capital investment outlays, the expansion of municipal facilities associated with the high level of house building activity, higher outlays for salaries and wages and slightly higher defence expenditures. Defence outlays did not constitute a major expansionary influence in 1955, but continued to provide an important sustaining element. Government expenditure on goods and services at all levels combined was running at a rate of about \$4.6 billion in the fourth quarter of 1955, unchanged from the average for the year 1955 as a whole.

#### Gross Domestic Investment (excluding Change in Inventories)

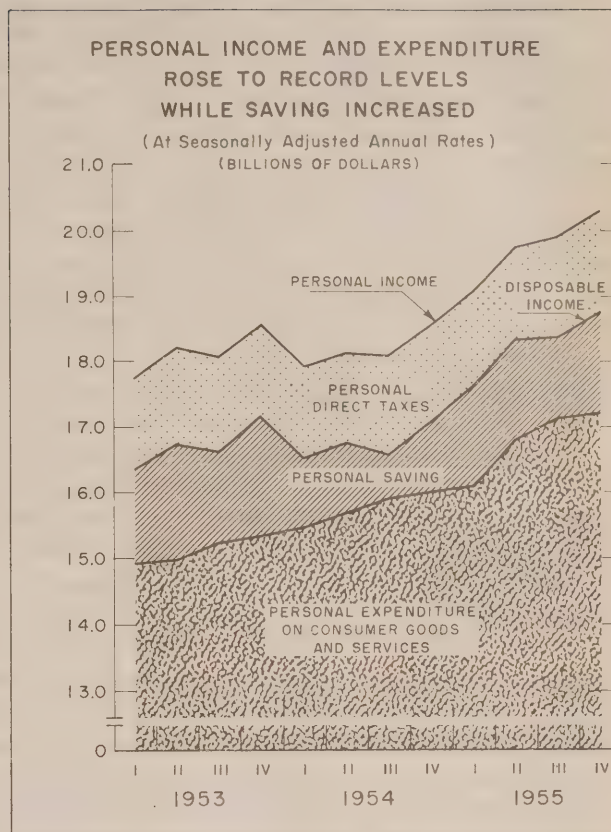
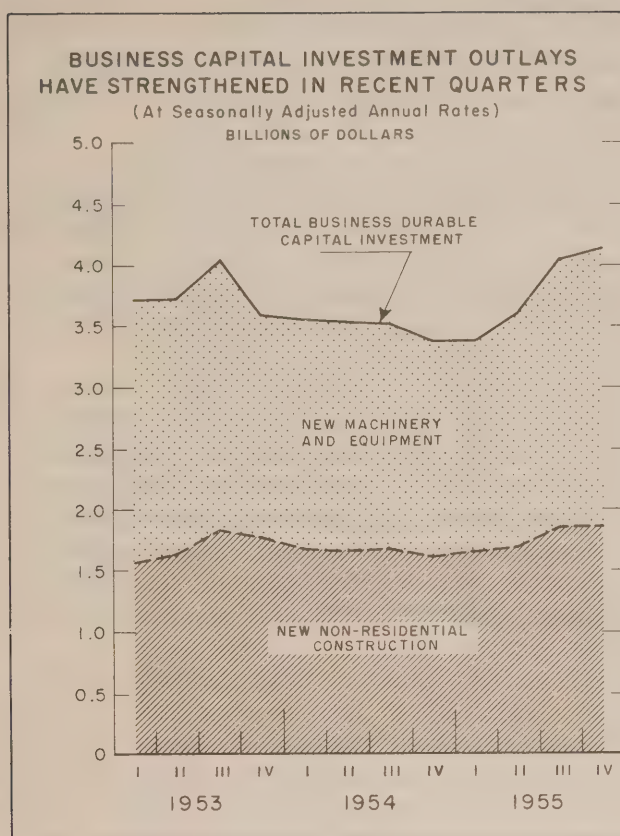
Gross domestic investment in fixed durable assets reached an all time peak of \$5.3 billion in 1955, increasing by 13 per cent over 1954. This gain provided an important stimulus to final demand in 1955, in contrast to 1954 when declines occurred in non-residential construction and investment in machinery and equipment. The year-end level of gross domestic investment was at a seasonally adjusted annual rate of \$5.3 billion, 9 per cent above the 1955 yearly average. The year-to-year increase over 1954 was spread among the three major groups — housing, non-residential construction, and new machinery and equipment. Of these groups, the advance in housing contributed about one-half of the total gain; new investment in machinery and equipment accounted for less than one-third, and non-residential construction provided the remainder of the increase.

The rise in construction activity was matched by increased employment in the construction industry as measured by the labour force survey. For 1955 as a whole, total construction employment was 10 per cent above the 1954 average, while in the fourth quarter of 1955, the gain was 13 per cent over the corresponding period of the previous year. Slightly higher prices for construction materials and an increase in wage rates accompanied these developments in 1955. In the fourth quarter comparison, the increase in both wage rates and building material costs was substantially greater than the average gain for the full year.

Towards the end of 1955 the supply of certain building materials, such as cement and steel was becoming rather tight, though the shortage did not appear to have held back the investment programme to any appreciable extent.

A variety of influences was responsible for the increase in investment in 1955. In the field of housing construction, the larger supply of mortgage funds made available by the banking system, along with a rising level of personal disposable income, made possible a striking gain in the number of housing units built. For the year 1955, 138,000 units were started, and 128,000 units were completed, representing gains of 22 per cent and 25 per cent, respectively, over the preceding year. At year end, there were approximately 80,000 housing units still under construction. The value of housing construction in 1955 was estimated at \$1,476 million, up 27 per cent from 1954.





The influences affecting investment in non-residential construction and machinery and equipment were somewhat different from those affecting housing. The downturn in late 1953 and early 1954 made available excess capacity in some portions of the economy, and this slack was gradually utilized as the recovery gained ground. As 1955 progressed, the expansion began to press upon existing capacity, and plant and equipment investment programmes were sharply increased to meet present and anticipated demand.

This additional investment was concentrated in those industries which responded to external as well as domestic demands. Large increases in exports of industrial minerals and wood products were accompanied by increased investment in those industries. As well, some further expansion took place in fuel and power industries, to meet growing demands for energy. At the same time, the substantial increase in profits in 1955 likely added both a stimulus to increased investment, and aided in the financing of this investment.

New non-residential construction was valued at \$1,775 million in 1955, up 7 per cent from the preceding year. However, the pickup did not appear strongly until the last half of the year, when the seasonally adjusted annual rate was running at about \$1.9 billion, or 13 per cent above 1954.

Investment in new machinery and equipment amounted to \$2,017 million in 1955, up 10 per cent from 1954, although still slightly below the 1953 peak year.

However, by the fourth quarter of 1955, the annual rate of investment in machinery and equipment reached \$2.3 billion, and was at a rate equal to the previous high in the third quarter of 1953. The volume of machinery investment in the fourth quarter was still below the 1953 peak, inasmuch as prices of these items have risen somewhat over the past two years.

Most of the increase in machinery and equipment investment in 1955 was met through larger imports, which rose sharply over the previous year. Major gains were recorded in imports of non-farm machinery (up 16 per cent), farm implements and machinery (up 20 per cent), aircraft and parts (up 42 per cent), and engines and boilers (up 21 per cent); comparisons are on the basis of eleven months' data.

### Investment in Inventory

Total inventory investment amounted to \$450 million in 1955, compared with a liquidation of \$280 million in the previous year. This swing in inventory investment of \$730 million made a substantial contribution to the higher level of Gross National Product in 1955. The turn-around was partly a reflection of the larger grain crop in 1955, and partly a reflection of the pronounced up-swing in final demand which appeared to require a higher level of business inventory holdings to prevent a further fall-off in stock-sales ratios. It should be noted, however, that certain industrial and wholesale prices were rising in 1955 and that about one-half of the value swing in business inventories can be accounted for by these price factors. In terms of volume change, the shift in total inventories from liquidation in 1954 to accumulation in 1955 amounted to about one-third of the real increase in Gross National Product; the shift in the volume of business inventories alone accounted for about 10 per cent of the overall volume increase.

The major part of the business inventory build-up in 1955 occurred in manufacturing and in wholesale and retail trade. The first two of these sectors had experienced marked liquidations of inventory in 1954, so that they also accounted for the largest share of the turn-around in business inventories between 1954 and 1955.

The higher level of stocks at the manufacturing and trade levels during the past year did not, in general, appear to be excessive in the light of the rapid expansion in the volume of trade to be serviced by them. Stock-sales ratios at the manufacturing, wholesale and retail levels were somewhat lower throughout 1955 than in the preceding year. Moreover, the valuation of inventories at the end of 1955 was affected by a slight rise in their average price throughout 1955 so that the increase in physical stocks, on the whole, was less than these dollar-value comparisons indicate.

The accumulation of business inventories in 1955, amounting to \$257 million, took place at different rates throughout the year. In the first quarter, there was a very substantial build-up, reflecting in large part the accumulation of automobile inventories at the factory level. In the second and third quarters, final purchases of goods were increasing sharply, and additions to inventories were moderate. By the fourth quarter of the year, while final purchases continued to expand, the combined supply of goods coming from domestic production and the high rate of imports in the later part of the year was sufficient to add substantially to business stocks, on a seasonally adjusted basis. This accumulation in the fourth quarter was spread fairly generally throughout the industrial groups, with increases occurring (after allowing for seasonal variation) in motor



vehicles, parts and accessories, iron and steel products, electrical apparatus and supplies, clothing, paper products and in a wide range of other commodities. A large proportion of this increase took place at the manufacturing level, reflecting an increase in stocks of raw materials and goods in process, but further additions to stocks were also made at the wholesale level in the fourth quarter of 1955. Retail sales in general appeared to keep pace approximately with the flow of goods entering retail channels, with the result that, in the fourth quarter, little or no net additions to stock were made at this level, after allowance for seasonal factors.

### Exports and Imports of Goods and Services<sup>1</sup>

Responding to the recovery of industrial activity in the United States, strong overseas demand for Canadian goods, a rising level of Canadian production, and higher consumer and investment outlays, exports and imports of goods and services rose to new record levels in 1955. The gain in exports amounted to 11 per cent, and in imports, to 14 per cent, bringing the annual levels to \$5.7 and \$6.3 billion respectively. These advances in exports and imports of goods and services were mainly attributable to a sharp recovery in commodity trade in 1955, following the declines of the previous year. However, payments and receipts on invisible items were also up sharply in 1955.

In the export group, gains in forest products, minerals, metals and chemicals were especially noteworthy. Sharp increases occurred in exports of iron ore, chemicals, and crude petroleum, made possible by new industrial capacity in Labrador and Western Canada. Gains in wood and wood products, and non-ferrous metals were of particular significance in the total export increase, the latter group reflecting to a large extent higher prices. Substantial increases in domestic production in mining, forestry and manufacturing of wood products accompanied these developments. The sharp advances in the commodity exports noted above more than offset a decline in shipments of grain and in some types of manufactured products in 1955. Receipts from the sale of services to non-residents rose in 1955 with increased revenue from tourist expenditures, freight and shipping, and interest and dividends accounting for most of the gain. In the fourth quarter of 1955, the annual rate of exports of goods and services was \$5.8 billion, 2 per cent above the average for the year 1955 as a whole.

Even more striking than the gain in exports in 1955 was the sharp advance in commodity imports, particularly in the latter half of the year. The major part of the increase in imports was from United States sources, and in the third and fourth quarters of 1955 imports from that country were 23 per cent and 28 per cent, respectively, above the same period of 1954. While the increase in imports was widespread, the major gains occurred in metal products including primary steel, industrial machinery and equipment, automobiles and parts, aircraft, electrical apparatus, and other kinds of hard goods. These increases were related to the recovery of investment in plant and equipment and consumer outlays for durable goods in 1955. Imports of textile materials and products also rose sharply in 1955, associated with a pick-up in clothing and textile production, and higher consumer expenditure on clothing. Payments to non-residents for services

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1. For a fuller discussion see "Quarterly Estimates of the Canadian Balance of International Payments, Fourth Quarter, 1955 and Preliminary Estimates, Calendar Year 1955" (Balance of Payments Section, D.B.S.).



increased in 1955 with the main gains occurring in tourist and travel expenditures, freight and shipping payments (associated with the higher volume of commodity imports), and interest and dividend outlays. In the fourth quarter, imports of goods and services were running at a seasonally adjusted annual rate of \$7.0 billion, almost 10 per cent above the annual average for the full year 1955.

With imports rising relatively more rapidly than Canadian production, foreign sources of supply provided a somewhat larger proportion of the goods and services available to Canadians in 1955, especially in the latter half of the year.

Export prices of goods and services in 1955 were about 3 per cent higher than in 1954, while import prices rose less than 2 per cent. Thus a slight improvement occurred in Canada's terms of trade with other countries. The deficit on current account in 1955 was \$651 million (on the National Accounts basis) compared with a deficit of \$426 million in 1954. The greater part of the increase in the deficit in 1955 was attributable to transactions on commodity account.

### Personal Income, Expenditure and Saving

Personal income amounted to \$19.8 billion in 1955, a gain of 9 per cent over the previous year. This was somewhat less than the gain in national income, which rose by 11 per cent. The difference in these magnitudes was mainly a reflection of the fact that corporation profits, included in national income, rose much more sharply in 1955 than dividend payments to Canadians. It may be recalled that in 1954, personal income showed a small advance in the face of a decline in national income. This difference was again partly a reflection of the relatively greater stability of dividend payments, which continued to be maintained at a time when profits were declining.

All components of personal income were higher in 1955. Of the \$1.6 billion increase over the previous year, \$0.9 billion was due to higher wages and salaries, \$0.3 billion to higher farm income, and the balance to gains in government transfer payments, interest, dividends and net rental income, and net income of non-farm unincorporated business. "Real" personal income per capita showed the sharpest advance in 1955 of any year in the post-war period.

Turning to the expenditure side, personal expenditure on consumer goods and services rose by 7 per cent in 1955, with durable goods purchases showing a major advance of about 11 per cent; about half of the increase in total consumer outlays occurred in non-durable goods purchases, although the percentage rise in this component was only half as sharp as in the durable group. Personal direct tax collections were about 4 per cent higher in 1955 than in 1954, reflecting for the most part a sharp increase in succession duty collections. Personal income tax collections were level with the preceding year, reflecting mainly the interaction of a higher level of personal income in 1955 and a reduction of the personal income tax rate effective from mid-year.

Personal saving in 1955 amounted to \$1.5 billion compared with \$1.0 billion in 1954. The rise in saving over the preceding year reflected in large part the higher grain crop for 1955, with the shift in farm inventories accounting for \$0.4 billion. As a percentage of personal income, personal saving was 7.5 per cent in 1955 compared with 5.3 per cent in 1954. Excluding the change in farm inventories, the ratios were 6.4 per cent in 1955 and 6.1 per cent in 1954.

In the fourth quarter of 1955, personal income was running at a rate of \$20.3 billion, almost 3 per cent higher than the annual average for the year as a whole. Personal saving in the fourth quarter was at a rate of \$1.6 billion.

#### National Saving and Investment

Gross national saving rose by 30 per cent in 1955, from approximately \$4.0 billion in 1954 to \$5.2 billion. This increase was attributable to higher levels of personal and business saving, each of which contributed about \$0.5 billion to the total gain of \$1.2 billion; and to a larger consolidated government surplus, which contributed an additional \$0.2 billion. National saving was 20 per cent of gross national product in 1955 compared with 17 per cent in 1954 and 20 per cent in 1953.

These changes in the level and the composition of the nation's total saving in 1955 require further elaboration in two respects. First, personal saving includes changes in farm stocks, and more than one-half of the rise in personal saving in 1955 can be traced to the shift in this item from depletions in 1954 to net additions in 1955, a reflection of the larger grain crop in the latter year. Second, the government surplus as adjusted for national accounts purposes includes the excess of corporation tax accruals over collections, and in 1955 these amounted close to \$300 million. Since the funds represented by these tax liabilities remained in the hands of the business sector in 1955, there was no net withdrawal of funds from the private to the government sector as a result of the current account transactions of government. In other words, the government surplus in 1955 exercised a more or less neutral effect on the flow of incomes and expenditures.

Despite the sharply increased level of the nation's saving in 1955, the amount available was nevertheless insufficient to support the expanded programme of capital investment in housing, plant, machinery and equipment, and inventories. Thus, while national saving was at a rate of \$5.2 billion, the total domestic investment programme including inventories amounted to \$5.7 billion. The shortfall in the nation's saving was met again by drawing upon foreign resources, and the deficit on current account in 1955 amounted to \$651 million, an increase of \$225 million over the deficit sustained in 1954.



TABLE 1. NATIONAL INCOME AND GROSS NATIONAL  
(millions)

	1953				
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income.....	2,792	2,902	3,003	3,009	11,706
2. Military Pay and Allowances.....	70	77	79	83	309
3. Investment Income.....	885	1,024	1,018	873	3,800
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup>	18	83	1,386	166	1,653
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	348	453	447	440	1,688
6. NET NATIONAL INCOME AT FACTOR COST.....	4,113	4,539	5,933	4,571	19,156
7. Indirect Taxes less Subsidies.....	691	732	742	736	2,901
8. Depreciation Allowances and Similar Business Costs.....	543	601	603	664	2,411
9. Residual Error of Estimate.....	-8	-88	10	67	-19
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,321)	(5,701)	(5,902)	(5,872)	(22,796)

1. This item includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE,  
(millions)

	1953				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services.....	3,475	3,786	3,659	4,205	15,125
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,162	879	1,186	1,132	4,359
Gross Domestic Investments: <sup>2</sup>					
3. New Residential Construction <sup>5</sup> .....	190	273	302	296	1,061
4. New Non-Residential Construction.....	311	412	523	460	1,706
5. New Machinery and Equipment <sup>6</sup> .....	522	592	520	439	2,073
6. Change in Inventories.....	-149	-48	1,126	-380	549
7. (Business Inventories only) <sup>3</sup> .....	(96)	(215)	(132)	(-90)	(353)
8. Exports of Goods and Services.....	1,154	1,399	1,478	1,369	5,400
9. Deduct: Imports of Goods and Services.....	-1,335	-1,597	-1,496	-1,415	-5,843
10. Residual Error of Estimate.....	9	88	-10	-68	19
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,339	5,784	7,288	6,038	24,449

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1953					1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
590	401	452	464	1,907	528	360	399	440	1,727	520	391	414	435	1,760

5. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

6. See footnote 5, Table 15.



PRODUCT, BY QUARTERS, 1953-1955  
of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,327	3,397	12,861
83	92	95	97	367	93	100	101	100	394
843	965	1,002	905	3,715	907	1,184	1,267	1,113	4,471
42	119	734	163	1,058	21	146	1,076	178	1,421
334	426	445	440	1,645	346	450	479	478	1,753
4,157	4,549	5,350	4,718	18,774	4,351	5,033	6,250	5,266	20,900
716	734	728	736	2,914	750	778	816	833	3,177
575	639	630	667	2,511	609	672	674	724	2,679
-17	-72	-20	58	-51	-37	-38	-44	-13	-132
5,431	5,850	6,688	6,179	24,148	5,673	6,445	7,696	6,810	26,624
(5,389)	(5,731)	(5,954)	(6,016)	(23,090)	(5,652)	(6,299)	(6,620)	(6,632)	(25,203)

BY QUARTERS, 1953-1955  
of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
3,615	3,949	3,825	4,387	15,776	3,749	4,230	4,123	4,709	16,811
1,121	874	1,183	1,183	4,361	1,167	950	1,260	1,237	4,614
206	283	334	343	1,166	245	377	422	432	1,476
332	410	486	431	1,659	327	419	534	495	1,775
460	544	434	403	1,841	417	568	525	507	2,017
-136	-118	394	-420	-280	-120	29	871	-330	450
(104)	(-1)	(-75)	(-148)	(-120)	(141)	(97)	(51)	(-32)	(257)
1,089	1,278	1,397	1,372	5,136	1,212	1,417	1,560	1,507	5,696
-1,272	-1,442	-1,386	-1,462	-5,562	-1,361	-1,584	-1,643	-1,759	-6,347
16	72	21	-58	51	37	39	44	12	132
5,431	5,850	6,688	6,179	24,148	5,673	6,445	7,696	6,810	26,624

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,792	2,902	3,003	3,009	11,706
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-94	-97	-99	-100	-390
3. Military Pay and Allowances.....	70	77	79	83	309
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup>	-2	120	1,308	232	1,658
5. Net Income of Non-Farm Unincorporated Business.....	348	453	447	440	1,688
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	391	430	418	430	1,669
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	423	343	344	350	1,460
8. Charitable Contributions by Corporations.....	7	8	7	6	28
9. Net Bad Debt Losses of Corporations.....	6	7	7	8	28
10. PERSONAL INCOME.....	3,941	4,243	5,514	4,458	18,156

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1953				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	312	381	291	303	1,287
2. Succession Duties.....	19	17	20	17	73
3. Miscellaneous.....	26	18	11	16	71
4. Total Personal Direct Taxes.....	357	416	322	336	1,431
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	1,883	2,078	2,105	2,512	8,578
6. Durable Goods.....	425	512	412	444	1,793
7. Services <sup>1</sup> .....	1,167	1,196	1,142	1,249	4,754
8. Total Personal Expenditure on Consumer Goods and Services...	3,475	3,786	3,659	4,205	15,125
Personal Savings:					
9. Personal Saving Excluding Farm Inventory Change.....	378	225	652	295	1,550
10. Farm Inventory Change.....	-269	-184	881	-378	50
11. Total Personal Saving.....	109	41	1,533	-83	1,600
12. PERSONAL INCOME.....	3,941	4,243	5,514	4,458	18,156
13. (Personal Disposable Income) <sup>2</sup> .....	(3,584)	(3,827)	(5,192)	(4,122)	(16,725)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1953-1955  
(of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
2,855	2,947	3,074	3,113	11,989	2,984	3,153	3,327	3,397	12,861
-96	-99	-99	-101	-395	-101	-102	-104	-109	-416
83	92	95	97	367	93	100	101	100	394
48	130	709	198	1,085	-1	163	1,063	171	1,396
334	426	445	440	1,645	346	450	479	478	1,753
422	474	454	475	1,825	476	501	501	532	2,010
473	381	371	376	1,601	522	410	391	383	1,706
6	8	7	7	28	6	10	9	9	34
6	7	7	8	28	6	7	7	8	28
4,131	4,366	5,063	4,613	18,173	4,331	4,692	5,774	4,969	19,766

INCOME BY QUARTERS, 1953-1955  
(of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
298	356	313	323	1,290	310	336	322	328	1,296
17	17	19	24	77	21	23	36	37	117
23	15	9	12	59	28	18	10	12	68
338	388	341	359	1,426	359	377	368	377	1,481
1,975	2,184	2,191	2,630	8,980	2,025	2,318	2,348	2,802	9,493
394	474	397	417	1,682	381	539	462	491	1,873
1,246	1,291	1,237	1,340	5,114	1,343	1,373	1,313	1,416	5,445
3,615	3,949	3,825	4,387	15,776	3,749	4,230	4,123	4,709	16,811
374	113	445	184	1,116	426	149	511	175	1,261
-196	-84	452	-317	-145	-203	-64	772	-292	213
178	29	897	-133	971	223	85	1,283	-117	1,474
4,131	4,366	5,063	4,613	18,173	4,331	4,692	5,774	4,969	19,766
(3,793)	(3,978)	(4,722)	(4,254)	(16,747)	(3,972)	(4,315)	(5,406)	(4,592)	(18,285)



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	11,508	11,736	11,776	11,804	11,706
2. Military Pay and Allowances.....	280	308	316	332	309
3. Investment Income.....	3,916	3,884	3,728	3,672	3,800
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup>	1,652	1,596	1,640	1,724	1,653
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,696	1,700	1,664	1,692	1,688
6. NET NATIONAL INCOME AT FACTOR COST.....	19,052	19,224	19,124	19,224	19,156
7. Indirect Taxes less Subsidies.....	2,868	2,964	2,940	2,832	2,901
8. Depreciation Allowances and Similar Business Costs.....	2,288	2,392	2,424	2,540	2,411
9. Residual Error of Estimate.....	12	-184	144	-48	-19
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	24,220	24,396	24,632	24,548	24,449
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,568)	(22,800)	(22,992)	(22,824)	(22,796)

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	14,936	14,988	15,228	15,348	15,125
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,260	4,400	4,540	4,236	4,359
Gross Domestic Investment <sup>2</sup>					
3. New Residential Construction <sup>4</sup> .....	1,004	1,052	1,080	1,108	1,061
4. New Non-Residential Construction.....	1,568	1,640	1,840	1,776	1,706
5. New Machinery and Equipment <sup>5</sup> .....	2,148	2,104	2,220	1,820	2,073
6. Change in Inventories.....	672	496	308	720	549
7. (Business Inventories only) <sup>3</sup> .....	(280)	(508)	(360)	(264)	(353)
8. Exports of Goods and Services.....	5,368	5,548	5,552	5,132	5,400
9. Deduct: Imports of Goods and Services.....	-5,728	-6,012	-5,992	-5,640	-5,843
10. Residual Error of Estimate.....	-8	180	-144	48	19
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	24,220	24,396	24,632	24,548	24,449

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

4. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

5. See footnote 5, Table 15.

PRODUCT, BY QUARTERS, 1953-1955  
AT ANNUAL RATES  
of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
11,768	11,936	12,080	12,172	11,989	12,296	12,744	13,120	13,284	12,861
332	368	380	388	367	372	400	404	400	394
3,668	3,708	3,656	3,828	3,715	3,940	4,512	4,708	4,724	4,471
1,148	1,068	1,008	1,008	1,058	1,408	1,492	1,340	1,444	1,421
1,616	1,624	1,652	1,688	1,645	1,672	1,716	1,784	1,840	1,753
18,532	18,704	18,776	19,084	18,774	19,688	20,864	21,356	21,692	20,900
2,904	2,984	2,884	2,884	2,914	3,052	3,164	3,236	3,256	3,177
2,420	2,544	2,536	2,544	2,511	2,564	2,672	2,708	2,772	2,679
124	-156	-148	-24	-51	60	-120	-176	-292	-132
23,980	24,076	24,048	24,488	24,148	25,364	26,580	27,124	27,428	26,624
(22,832)	(23,008)	(23,040)	(23,480)	(23,090)	(23,956)	(25,088)	(25,784)	(25,984)	(25,203)

BY QUARTERS, 1953-1955  
AT ANNUAL RATES  
of dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
15,476	15,704	15,908	16,016	15,776	16,100	16,800	17,128	17,216	16,811
4,224	4,312	4,472	4,436	4,361	4,472	4,620	4,728	4,636	4,614
1,084	1,092	1,200	1,288	1,166	1,296	1,460	1,520	1,628	1,476
1,676	1,656	1,688	1,616	1,659	1,664	1,704	1,860	1,872	1,775
1,884	1,872	1,836	1,772	1,841	1,724	1,896	2,188	2,260	2,017
172	-428	-808	-56	-280	556	368	200	676	450
(300)	(-356)	(-460)	(36)	(-120)	(364)	(28)	(100)	(536)	(257)
5,060	5,156	5,148	5,180	5,136	5,544	5,624	5,816	5,800	5,696
-5,472	-5,440	-5,548	-5,788	-5,562	-5,928	-6,012	-6,492	-6,956	-6,347
-124	152	152	24	51	-64	120	176	296	132
23,980	24,076	24,048	24,488	24,148	25,364	26,580	27,124	27,428	26,624

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	11,508	11,736	11,776	11,804	11,706
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-372	-388	-396	-404	-390
3. Military Pay and Allowances.....	280	308	316	332	309
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,500	1,720	1,508	1,904	1,658
5. Net Income of Non-Farm Unincorporated Business.....	1,696	1,700	1,664	1,692	1,688
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,640	1,644	1,696	1,696	1,669
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,436	1,444	1,448	1,512	1,460
8. Charitable Contributions by Corporations.....	28	32	28	24	28
9. Net Bad Debt Losses of Corporations.....	28	28	28	28	28
10. PERSONAL INCOME.....	17,744	18,224	18,068	18,588	18,156

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	1,236	1,352	1,296	1,264	1,287
2. Succession Duties.....	76	68	80	68	73
3. Miscellaneous.....	72	72	68	72	71
4. Total Personal Direct Taxes.....	1,384	1,492	1,444	1,404	1,431
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	8,460	8,508	8,656	8,688	8,578
6. Durable Goods.....	1,856	1,780	1,788	1,748	1,793
7. Services <sup>1</sup> .....	4,620	4,700	4,784	4,912	4,754
8. Total Personal Expenditure on Consumer Goods and Services...	14,936	14,988	15,228	15,348	15,125
Personal Savings:					
9. Personal Saving Excluding Farm Inventory Change.....	1,396	1,712	1,592	1,500	1,550
10. Farm Inventory Change.....	28	32	-196	336	50
11. Total Personal Saving.....	1,424	1,744	1,396	1,836	1,600
12. PERSONAL INCOME.....	17,744	18,224	18,068	18,588	18,156
13. (Personal Disposable Income) <sup>2</sup> .....	(16,360)	(16,732)	(16,624)	(17,184)	(16,725)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1953-1955  
AT ANNUAL RATES  
(in dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
11,768	11,936	12,080	12,172	11,989	12,296	12,744	13,120	13,284	12,861
-376	-396	-404	-404	-395	-396	-412	-420	-436	-416
332	368	380	388	367	372	400	404	400	394
1,172	1,112	908	1,148	1,085	1,324	1,556	1,288	1,416	1,396
1,616	1,624	1,652	1,688	1,645	1,672	1,716	1,784	1,840	1,753
1,760	1,812	1,840	1,888	1,825	1,988	1,952	2,008	2,092	2,010
1,608	1,608	1,564	1,624	1,601	1,776	1,728	1,660	1,660	1,706
28	28	28	28	28	24	40	36	36	34
,28	28	28	28	28	28	28	28	28	28
17,936	18,120	18,076	18,560	18,173	19,084	19,752	19,908	20,320	19,766

INCOME, BY QUARTERS, 1953-1955  
AT ANNUAL RATES  
(in dollars)

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
1,264	1,228	1,352	1,316	1,290	1,308	1,236	1,316	1,324	1,296
68	68	76	96	77	84	92	144	148	117
64	60	56	56	59	72	72	68	60	68
1,396	1,356	1,484	1,468	1,426	1,464	1,400	1,528	1,532	1,481
8,820	8,964	9,008	9,128	8,980	9,104	9,524	9,644	9,700	9,493
1,728	1,656	1,728	1,616	1,682	1,668	1,864	2,020	1,940	1,873
4,928	5,084	5,172	5,272	5,114	5,328	5,412	5,464	5,576	5,445
15,476	15,704	15,908	16,016	15,776	16,100	16,800	17,128	17,216	16,811
1,284	1,272	792	1,116	1,116	1,364	1,336	1,184	1,160	1,261
-220	-212	-108	-40	-145	156	216	68	412	213
1,064	1,060	684	1,076	971	1,520	1,552	1,252	1,572	1,474
17,936	18,120	18,076	18,560	18,173	19,084	19,752	19,908	20,320	19,766
(16,540)	(16,764)	(16,592)	(17,092)	(16,747)	(17,620)	(18,352)	(18,380)	(18,788)	(18,285)

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED FOR  
(millions)

	1953				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	2,975	3,257	3,110	3,585	12,927
2. Non-Durable Goods.....	1,682	1,875	1,878	2,242	7,677
3. Durable Goods.....	372	449	362	393	1,576
4. Services.....	921	933	870	950	3,674
5. Government Expenditure on Goods and Services.....	928	698	934	883	3,443
Gross Domestic Investment:					
6. New Residential Construction.....	150	215	236	231	832
7. New Non-Residential Construction.....	236	312	397	346	1,291
8. New Machinery and Equipment.....	440	496	431	363	1,730
9. Change in Inventories.....	-176	-132	1,289	-426	555
10. (Business Inventories only).....	(90)	(174)	(81)	(-50)	(295)
11. Exports of Goods and Services.....	1,017	1,255	1,337	1,247	4,856
12. Deduct: Imports of Goods and Services.....	-1,220	-1,442	-1,352	-1,283	-5,297
13. Residual Error of Estimate.....	7	73	-8	-56	16
14. GROSS NATIONAL EXPENDITURE.....	4,357	4,732	6,374	4,890	20,353

1. See footnotes, Table 2.

TABLE 10. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1953-1955  
SAVING  
(millions of dollars)

	1953	1954	1955
1. Personal Saving.....	1,600	971	1,474
2. Gross Business Savings:			
(a) Undistributed corporation profits.....	748	617	913
(b) Depreciation allowances and similar business costs.....	2,411	2,511	2,679
(c) Net bad debt losses of corporations <sup>1</sup> .....	-28	-28	-28
(d) Adjustment on grain transactions.....	-5	-27	25
(e) Inventory valuation adjustment (n.e.i.).....	5	-	-1
3. Government Surplus (+) or Deficit (-) <sup>2</sup> .....	253	18	269
4. Residual Error of Estimate.....	-19	-51	-132
5. TOTAL.....	4,965	4,011	5,199

1. Since these are included in both personal saving (item 1) and depreciation allowances and similar business costs (2b), they are deducted here to avoid double counting.

2. Includes surplus (or deficit) of federal, provincial and municipal governments, adjusted to National Accounts definitions.

1954					1955				
I	II	III	IV	Year	I	II	III	IV	Year
3,066	3,349	3,220	3,715	13,350	3,153	3,597	3,506	4,001	14,257
1,772	1,968	1,959	2,363	8,062	1,828	2,095	2,124	2,523	8,570
347	418	353	373	1,491	345	500	437	463	1,745
947	963	908	979	3,797	980	1,002	945	1,015	3,942
859	660	907	898	3,324	873	702	932	902	3,409
162	222	260	266	910	190	290	319	323	1,122
248	311	372	329	1,260	244	310	390	349	1,293
383	448	361	331	1,523	343	470	428	395	1,636
-159	-154	545	-517	-285	-217	-42	1,050	-427	364
(115)	(11)	(-40)	(-137)	(-51)	(93)	(65)	(21)	(-77)	(102)
990	1,151	1,264	1,260	4,665	1,093	1,248	1,368	1,316	5,025
-1,159	-1,298	-1,250	-1,331	-5,038	-1,224	-1,421	-1,468	-1,544	-5,657
13	59	17	-48	41	30	32	36	10	108
4,403	4,748	5,696	4,903	19,750	4,485	5,186	6,561	5,325	21,557

TABLE 11. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1953-1955  
INVESTMENT  
(millions of dollars)

	1953	1954	1955
1. Gross Domestic Investment: <sup>1</sup>			
(a) New residential construction.....	1,061	1,166	1,476
(b) New non-residential construction.....	1,706	1,659	1,775
(c) New machinery and equipment <sup>2</sup> .....	2,073	1,841	2,017
(d) Change in inventories.....	549	-280	450
2. Net Foreign Investment:			
(a) U.S.A.....	-871	-777	
(b) U.K. and other Sterling Area.....	207	267	-651
(c) Other countries.....	221	84	
3. Residual Error of Estimate.....	19	51	132
4. TOTAL.....	4,965	4,011	5,199

1. See footnote 2, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, see Table 15.

2. See footnote 5, Table 15.



TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1953-1955  
REVENUE  
(millions of dollars)

	1953	1954	1955
1. Direct Taxes — Persons.....	1,431	1,426	1,481
2. Federal.....	1,329	1,319	1,325
3. Provincial and Municipal.....	102	107	156
4. Direct Taxes — Corporations.....	1,226	1,164	1,360
Income and Profits Taxes			
5. Federal.....	1,150	1,100	1,295
6. Provincial.....	76	64	65
Withholding Taxes			
7. Federal.....	54	58	67
8. Indirect Taxes.....	3,011	3,001	3,254
9. Federal.....	1,697	1,612	1,744
10. Provincial and Municipal.....	1,314	1,389	1,510
11. Investment Income.....	562	563	618
12. Federal.....	225	223	261
13. Provincial and Municipal.....	337	340	357
14. Employer and Employee Contributions to Social Insurance and Pension Funds.....	390	395	416
15. Federal.....	250	255	272
16. Provincial and Municipal.....	140	140	144
Transfers from Other Governments			
17. Provincial and Municipal.....	412	430	450
18. Total Revenue.....	7,086	7,037	7,646
19. Federal.....	4,705	4,567	4,964
20. Provincial and Municipal.....	2,381	2,470	2,682
21. Deficit (+) or Surplus (-) <sup>1</sup> .....	-253	-18	-269
22. Federal.....	-175	+5	-245
23. Provincial and Municipal.....	-78	-23	-24
24. Total Revenue plus Deficit (or minus Surplus).....	6,833	7,019	7,377
25. Federal.....	4,530	4,572	4,719
26. Provincial and Municipal.....	2,303	2,447	2,658

1. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1953-1955  
EXPENDITURE  
(millions of dollars)

25.

	1953	1954	1955
1. Goods and Services.....	4,359	4,361	4,614
2. Federal <sup>1</sup> .....	2,525	2,413	2,498
3. Provincial and Municipal.....	1,834	1,948	2,116
4. Transfer Payments.....	1,952	2,141	2,236
5. Federal.....	1,487	1,645	1,696
6. Provincial and Municipal.....	465	496	540
7. Subsidies.....	110	87	77
8. Federal.....	106	84	75
9. Provincial and Municipal.....	4	3	2
Transfers to Other Governments			
10. Federal.....	412	430	450
11. Total Expenditure.....	6,833	7,019	7,377
12. Federal.....	4,530	4,572	4,719
13. Provincial and Municipal.....	2,303	2,447	2,658

1. Includes defence expenditure of \$1,907 million in 1953; \$1,727 million in 1954; and \$1,760 million in 1955.

TABLE 14. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), BY INDUSTRY<sup>1</sup>, 1953-1955  
(millions of dollars)

	1953	1954	1955
1. Agriculture.....	546	388	424
Fishing and Trapping.....			
2. Forestry.....	34	46	62
3. Mining, Quarrying and Oil Wells.....	257	278	301
4. Manufacturing.....	969	822	939
5. Construction.....	91	97	107
6. Transportation, Storage and Communication.....	1,206	1,119	1,035
Public Utility Operation.....			
7. Trade.....	330	368	350
8. Finance, Insurance and Real Estate <sup>2</sup> .....	1,139	1,273	1,578
9. Service <sup>3</sup> .....	268	275	322
10. Adjustment (not allocated) <sup>4</sup> .....	-	-	150
11. Total <sup>4</sup> .....	4,840	4,666	5,268

1. This Table is derived from "Private and Public Investment in Canada, Outlook, 1955" and "Private and Public Investment in Canada, Outlook, 1956" (Department of Trade and Commerce); adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15.

2. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, Line 3.

3. Excludes government departmental expenditures, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.

4. The 1955 total has been revised upward from that shown in "Private and Public Investment, Outlook 1956" to take account of later available information.

26. TABLE 15. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), 1953-1955  
RECONCILIATION STATEMENT  
(millions of dollars)

	1953	1954	1955
1. Total Private and Public Investment in Canada <sup>1</sup> .....	5,841	5,620	6,230
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> ....	-23	-12	-20
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> ..	-875	-843	-1,002
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup>	-103	-99	-90
5. Adjustment <sup>5</sup> .....	-	-	150
6. Total Gross Domestic Investment (excluding inventories) (1-2-3-4+5) = (6+7+8).....	4,840	4,666	5,268
7. New Residential Construction <sup>4</sup> .....	1,061	1,166	1,476
8. New Non-Residential Construction <sup>4</sup> .....	1,706	1,659	1,775
9. New Machinery and Equipment <sup>4</sup> .....	2,073	1,841	2,017

1. As presented in the publications "Private and Public Investment in Canada, Outlook, 1955" and "Private and Public Investment in Canada, Outlook, 1956", Department of Trade and Commerce.
2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint Federal-Provincial housing (Section 46, N.H.A.).
3. Included in "Government Expenditure on Goods and Services", line 2, Table 2.
4. See also lines 3, 4 and 5, Table 2.
5. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 16. ANALYSIS AND RECONCILIATION OF EXPORTS AND IMPORTS, 1953-1955  
(millions of dollars)

	1953	1954	1955
<b>Exports of Goods and Services:</b>			
1. Merchandise Exports <sup>1</sup> .....	4,152	3,929	4,335
2. Gold available for Export <sup>1</sup> .....	144	155	155
3. Receipts from Services rendered to Non-Residents (including dividends and interest received from abroad).....	1,195	1,141	1,292
4. Subtotal: "Current Receipts" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,491	5,225	5,782
5. Adjustments <sup>2</sup> .....	-91	-89	-86
6. Total "Exports of Goods and Services" as per National Accounts <sup>3</sup>	5,400	5,136	5,696
<b>Imports of Goods and Services:</b>			
7. Merchandise Imports <sup>1</sup> .....	4,210	3,916	4,520
8. Payments for Services rendered by Non-Residents (including interest and dividends paid abroad).....	1,724	1,740	1,927
9. Subtotal: "Current Payments" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,934	5,656	6,447
10. Adjustments <sup>2</sup> .....	-91	-94	-100
11. Total "Imports of Goods and Services" as per National Accounts <sup>3</sup>	5,843	5,562	6,347

1. As presented in reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics). Excludes Mutual Aid to N.A.T.O. Countries 1953-1955.
2. Migrants' funds and inheritances.
3. See also Table 2.







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CANADA



**NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
FIRST QUARTER  
1956**

*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

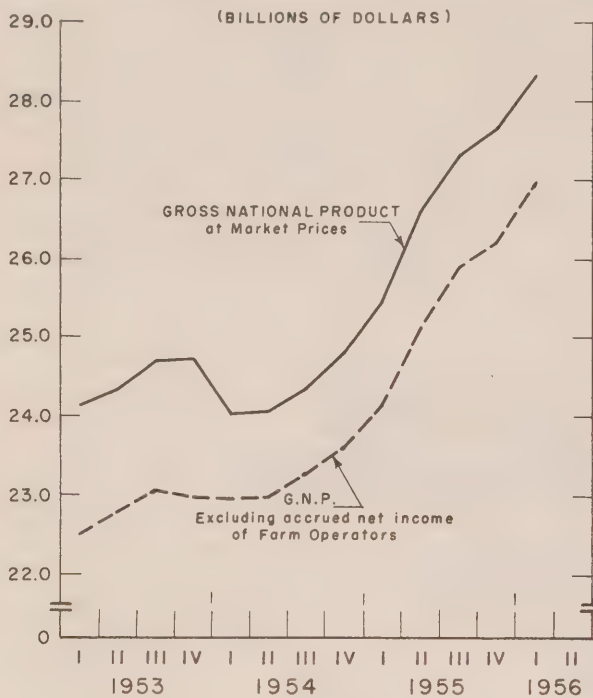
**DOMINION BUREAU OF STATISTICS**  
Research and Development Division  
National Income Section

2102-513-36

Price \$1.00 per year



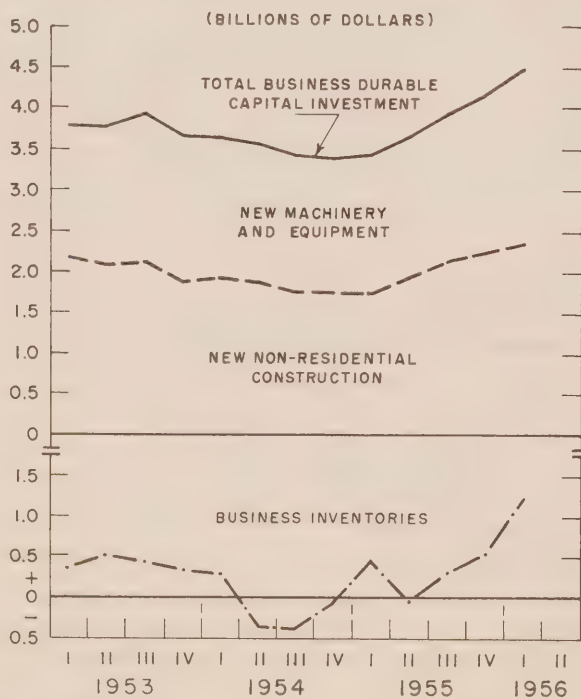
**GROSS NATIONAL PRODUCT  
WAS AT THE RATE OF \$28.3 BILLION  
IN THE FIRST QUARTER,  
CONTINUING THE GAINS OF THE RECORD YEAR 1955**



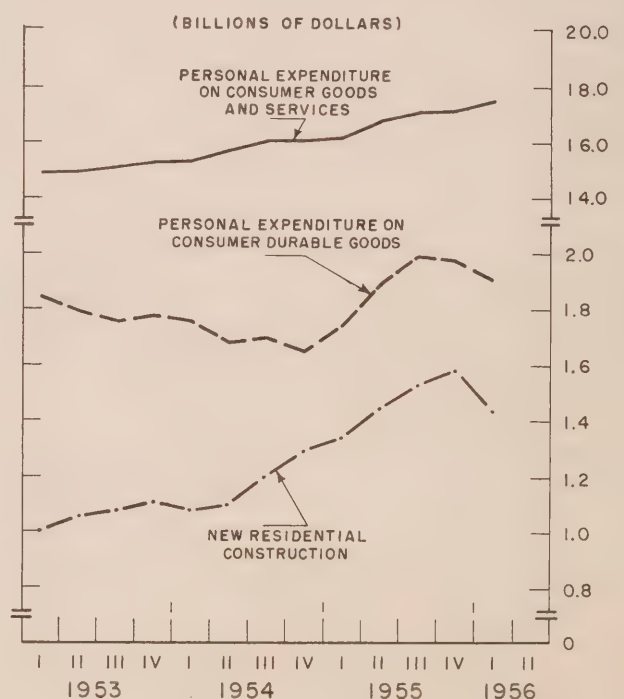
**NON-AGRICULTURAL EMPLOYMENT  
HAS CONTINUED TO MOVE UPWARD  
(1949 = 100)**



**BUSINESS INVENTORY INVESTMENT AND  
OUTLAYS FOR NEW PLANT, MACHINERY AND  
EQUIPMENT CONTINUED TO PROVIDE STRONG  
ELEMENTS OF DEMAND IN THE FIRST QUARTER**



**WHILE TOTAL CONSUMER EXPENDITURES  
INCREASED OVER THE FOURTH QUARTER,  
OUTLAYS FOR DURABLE GOODS DECLINED.  
RESIDENTIAL CONSTRUCTION WAS ALSO DOWN**



## INTRODUCTION

This report contains revised quarterly data for the years 1953, 1954 and 1955.

The rise in Gross National Product which has been going on for a year-and-a-half continued into the first quarter of 1956, with the increase in the value of production from the fourth quarter amounting to close to 3 per cent after allowing for seasonal factors. This recent increase has raised the level of Gross National Product to an annual rate of \$28.3 billion or about 6 per cent above the annual average for the year 1955 as a whole, and 11.7 per cent above the first quarter one year ago. The continued advance in the first three months of this year was mainly a reflection of a further rise in the physical volume of production, with prices on average showing only a small increase.\*

The gain in output in the first quarter was concentrated in mining, forestry, construction, transportation and other service groups, with total production in manufacturing remaining relatively unchanged from the fourth quarter. Within manufacturing, the durable goods group declined moderately reflecting a fall-off in non-ferrous metals and electrical apparatus and supplies; on the other hand, output in wood products, transportation equipment and iron and steel products rose in the first quarter, but these gains were not sufficient to offset the decline in other categories. The iron and steel group was producing at a rate approximately 25 per cent above the level of last year's first quarter. The non-durable goods manufacturing group continued to advance in the first quarter as gains occurred in most major components.

On the demand side, a further strong stimulus coming from business investment in new non-residential construction, new machinery and equipment and business inventory accumulation was added to the continued advance in total consumer expenditures and in exports in the first quarter. Within the consumer sector, however, outlays for durable goods declined, reflecting a fall-off in purchases of new automobiles and television sets. Outlays for new housing were also lower in the first quarter by about 10 per cent. Taken together, however, the sum of all final and inventory demands rose by \$1.1 billion from the fourth to the first quarter. Of this increase, about one-third was met out of the sharp rise in imports, and the remainder out of the increase in Canadian production.

The recent change in the expenditure pattern from a situation in which consumer expenditures, exports and housing outlays were contributing the major demand stimulus to one in which business investment outlays have begun to provide the most important impetus has shown up in a number of related developments — price increases in investment type goods, a change in the composition of imports, and inventory stockpiling in hard goods and industrial equipment items. While consumer prices have, on the whole, remained relatively stable from a year ago, prices of investment goods have shown marked increases, with the price factor in

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\* The value of crop production for the first quarter of 1956 is taken as one-fourth of the estimated value of production for the year as a whole, the latter being calculated on the basis of 10-year average yields, current acreage intentions and initial prices. The current estimates on this basis provide for a drop of about \$100 million between 1955 and 1956 in the value of crop production, and this is reflected in the change from the fourth to first quarters in the seasonally adjusted data of Gross National Product, and accrued net income of farm operators.



new non-residential construction and in machinery and equipment increasing by about 7 or 8 per cent from the first quarter of a year ago. The composition of imports has been substantially altered, with the major portion of recent gains concentrated in iron and steel products and non-ferrous metal products. Imports have continued to supply a very important part of the machinery and equipment investment programme and it is estimated that the greater part of the rise in this component between the fourth and the first quarter was met out of imports. An important part of the stockpiling of business inventories in the last two quarters has occurred in the metal-using industries, particularly in the iron and steel and transportation equipment groups. Some increase was also apparent in the wholesale machinery group. This inventory build-up has undoubtedly contributed to the continued upward movement in merchandise imports. Even with the high rates of imports and domestic production, and the consequent sharp rise in the rate of business inventory accumulation however, stock-sales ratios in manufacturing, wholesale and retail trade have in general remained below the corresponding levels of the past two years. It may be noted that in the post-war period, there frequently has been a very close correspondence between the movement of imports and inventory stockpiling in Canada.

Percentage changes in the expenditure components from the fourth quarter, and in relation to the 1955 annual average, are shown in the table below.

	IV Q.1955 <sup>1</sup> \$ billion	I Q.1956 <sup>1</sup> \$ billion	Change <sup>1</sup> IV Q.1955 to I Q. 1956 \$ billion	% Change IV Q.1955 to I Q.1956	% Change I Q.1956 over Annual 1955 Average
Personal Expenditure.....	17.3	17.6	+0.3	2.0	4.2
Government Expenditure...	4.8	4.9	+0.1	1.4	3.4
Residential Construction...	1.6	1.4	-0.2	-9.8	-3.3
Non-Res. Construction....	1.9	2.1	+0.2	12.0	19.7
Machinery and Equipment..	2.3	2.4	+0.1	5.5	17.6
Exports.....	5.8	6.2	+0.3	5.6	7.1
Total Final Purchases (ex inventories).....	33.7	34.6	1.0	2.8	5.9
Change in Inventories....	0.8	1.1	+0.3	N.A.	N.A.
(Business only).....	(0.5)	(1.2)	(+0.7)	N.A.	N.A.
Imports.....	-6.9	-7.3	+(-0.4)	6.1	+13.9
Error.....	+0.1	-0.1	-0.2	N.A.	N.A.
GROSS NATIONAL EXPENDITURE	27.6	28.3	+0.7	2.5	5.8
Gross Available Supply (G.N.E. plus imports)	34.5	35.6	+1.1	3.2	7.4

Note: Figures will not add by +.1 or -.1 due to rounding.  
N.A. — not applicable.

1. Seasonally adjusted at annual rates.



Accompanying these developments, National Income continued to advance in the first quarter, with wages and salaries showing a further gain of about 2 per cent. Corporation profits, which were rising sharply in 1955, have been levelling off in recent months and showed no change from the fourth to the first quarters of 1956, seasonally adjusted. However, the level of corporation profits was approximately 25 per cent above that of the first quarter one year ago and about 10 per cent above the level of the year 1955 as a whole. Other elements of investment income, including interest and net rental income of persons rose further in the first quarter. It might be noted that the decline in farm net income from the fourth to the first quarters is attributable to the difference between the realized 1955 grain crop and a 1956 crop estimate based on 10-year average yields (see footnote page 1). Net income of non-farm unincorporated business continued to move upward in the first quarter.

Non-agricultural employment, seasonally adjusted, has continued to move upward in response to the generally rising level of economic activity. The continued advance has brought the number of persons with jobs in the non-agricultural sector of the economy to a point approximately 7 per cent above the first quarter of 1955. The number of persons without jobs and seeking work, seasonally adjusted, has shown a steady downward trend for the past year-and-a-half, and in the first quarter of 1956 the seasonally adjusted total was at a rate amounting to about 3.5 per cent of the total labour force.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Labour Income

Wages, salaries and supplementary labour income, seasonally adjusted, rose by 2 per cent from the fourth to the first quarter, and was at a rate approximately 10 per cent above the first quarter one year ago. The most recent gains were spread throughout almost all industrial groups, including mining, construction, transportation, storage and communication, manufacturing, public utilities, and other service groups. The 10 per cent increase over a year ago is assignable to two factors — the rise in the number of paid workers with jobs amounting to about 7 per cent, and an increase in average weekly earnings in the main non-agricultural industries amounting to more than 3 per cent. The latter increase reflects almost entirely an increase in rates of pay<sup>1</sup>, as average hours worked per week in manufacturing showed little change from a year ago.

##### Investment Income

Investment income rose by 2 per cent between the fourth and first quarters, and was at a level about 24 per cent above the same period one year ago. The sharp quarter-to-quarter increases in corporation profits which occurred in 1955 were no longer evident in the first quarter, with profits as a whole remaining relatively unchanged. Movements by industry, however, were rather mixed, with gains in mining, transportation, storage and communication offset by a fall-off of profits in manufacturing and retail trade. Within manufacturing, there were

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1. For example, average hourly earnings in manufacturing rose by 3.3 per cent from the first quarter of 1955.

declines in iron and steel products, non-ferrous metals, non-metallic minerals, and foods and beverages. The over-all affect of these changes in the profits pattern, as indicated above, was to leave profits at the total level relatively unchanged, from the fourth to the first quarter, but still some 25 per cent above the first quarter one year ago. Almost all industrial groups are much above last year's first quarter level, with the most marked increases being shown by mining (32 per cent), wholesale trade (51 per cent), and the manufacture of iron and steel (68 per cent), non-ferrous metals (59 per cent), wood products (20 per cent), and non-metallic minerals (32 per cent).

Other elements of investment income including interest, rents, and the income components of the government sector advanced further in the first quarter. Compared with the first quarter one year ago, the total of rents and interest have risen by approximately 7 per cent.

### Indirect Taxes less Subsidies

Indirect taxes less subsidies, seasonally adjusted, were at a rate of \$3.5 billion in the first quarter of 1956, an increase of 5 per cent from the fourth quarter of 1955. Almost all indirect taxes at the three levels of government rose in the first quarter. Most of these increases can be ascribed to the generally rising level of economic activity. Federal subsidies rose sharply from the fourth quarter of last year, associated with payments made for carrying costs of temporary wheat reserves owned by the Canadian Wheat Board.

## COMPONENTS OF GROSS NATIONAL EXPENDITURE

### Consumer Expenditure

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 2 per cent from the fourth to the first quarter, and was at a rate about 8 per cent above the first quarter level one year ago. The advance in total consumer outlays since a year ago has been approximately paralleled by a proportionate increase in personal disposable income. While consumer expenditure for non-durable goods and for services continued to expand between the fourth and first quarters, there was a slight fall-off in purchases of consumer durable goods.

In the non-durable goods group, the increase in the first quarter was spread widely throughout almost all of the component items; large gains were registered in sales of clothing and in alcohol and tobacco products. It may be noted that Easter occurred in March of this year, and Easter sales are included in the first quarter figures. The drop in purchases of durable goods was a reflection of lower sales of new passenger automobiles and television sets; increases occurred in sales of furniture and home furnishings. Consumer outlays for services, which have been rising steadily for several years, advanced further in the first quarter in line with previous trends.

Recent over-all price movements in the consumer sector have been small, with an increase from a year ago of less than one-half of one per cent. Prices of durable goods have declined by about 2 per cent from a year ago, but prices of services have risen by about 2 per cent; there has been almost no change in the price of non-durable goods at the total level.



## Government Expenditure on Goods and Services

Government expenditures on goods and services, seasonally adjusted, showed little change in the first quarter but were about 4 per cent higher than in the first quarter one year ago. Defence expenditures were running at a level about 4 per cent below 1955's first quarter. The greater part of the growth in government expenditure over the past year has been at the provincial and municipal levels where it has been associated with the expansion of services and capital facilities.

## Gross Domestic Investment (excluding change in inventories)

Gross domestic investment in fixed durable assets in the first quarter of 1956 was at a rate of \$5.9 billion, compared with \$5.7 billion in the fourth quarter and \$4.8 billion in the first quarter one year ago. Within the totals, movements from the fourth to the first quarter were mixed, with sharp increases in non-residential construction and in new machinery and equipment more than offsetting a decline in new residential construction. Compared with the first quarter of last year, new residential construction has risen by about 7 per cent, while non-residential construction and new machinery and equipment investment have risen by 29 per cent and 35 per cent respectively. It should be noted that prices of investment type goods have recently shown a marked rise; compared with a year ago, price increases in the non-residential construction and machinery and equipment sectors have amounted to about 7 per cent, while housing costs have risen by about 4 per cent. Thus, in volume terms, the year-over-year increases in investment were somewhat smaller than percentage changes noted above would indicate.

### (a) New Residential Construction

New investment in housing amounted to about \$1.4 billion in the first quarter, a decline of about 10 per cent from the fourth quarter rate. Housing completions showed a drop in the first quarter, after allowing for seasonal factors. Competing demands on the available supply of credit for business investment have likely been a factor in the first quarter fall-off in housing activity but shortages of service land have also apparently affected the level of building. The first quarter rate of residential construction was at a level slightly below the 1955 annual average.

### (b) Non-residential Construction and Machinery and Equipment

Gross domestic investment in plant, machinery and equipment provided a major part of the increase in final demand in the first quarter, continuing the trend which became apparent in the last half of 1955. Non-residential construction was at a rate of \$2.1 billion in the first quarter, 12 per cent above the fourth quarter of 1955 and 20 per cent above last year's annual average. Accompanying this rise was a substantial increase in both employment and average hours worked in the construction industry. It is of interest to note that the survey of investment intentions carried out earlier this year indicated possible limits to the realization of the programme due to potential shortages of basic construction materials, particularly steel and cement. Selected indicators suggest that the sharp advance in shipments of some of these materials, particularly iron and associated products, was being met to a large extent through large increases in imports in the first quarter.



Investment in new machinery and equipment in the first quarter attained a new peak of \$2.4 billion, 6 per cent above the fourth quarter rate and 18 per cent above the annual average for the year 1955 as a whole. Presently available data suggest that the bulk of the increase from the fourth quarter was made available from external sources of supply.

#### Investment in Business Inventories

The largest single increase on the expenditure side in the first quarter occurred in business inventory investment, which rose from a rate of accumulation of \$0.5 billion in the fourth quarter to \$1.2 billion in the first quarter. This is the heaviest rate of business inventory buildup since the second quarter of 1951. Most of the gain occurred within the manufacturing, retail and wholesale trade groups, and was concentrated chiefly in durable and investment-type materials such as basic metal shapes, components of machinery and equipment items, and motor vehicles. The composition of the inventory buildup undoubtedly reflects both the substantial advances in imports of iron and steel and other metal products, and the needs of the growing capital investment programme noted previously.

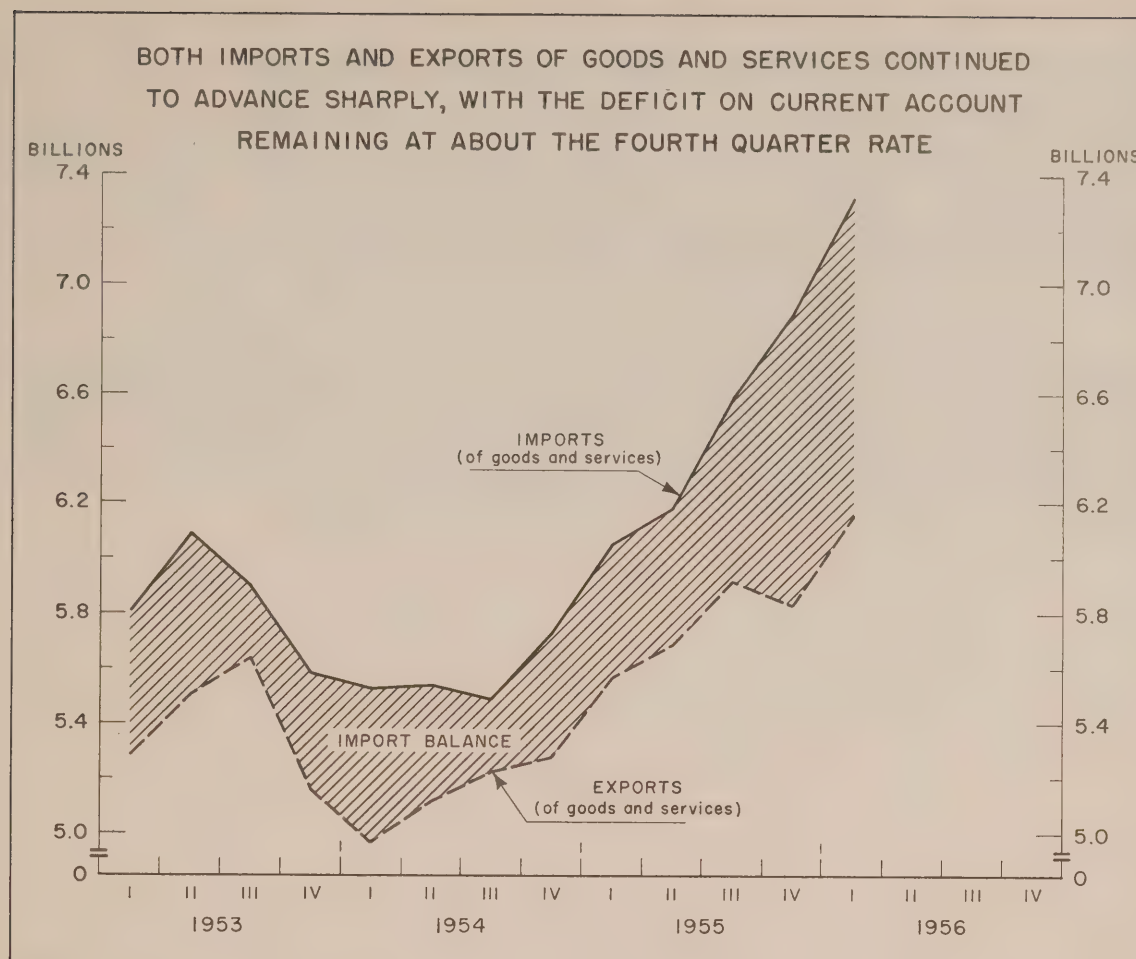
The recent gains appear to represent, for the most part, a real increase in the volume of inventory holdings, as gains represented by price factors were relatively small in proportion to the total book value change. In spite of the stepped-up rate of business inventory accumulation in the past two quarters, stock-sales ratios in manufacturing, wholesale and retail trade were, in general, lower at the close of the first quarter than at the end of the corresponding periods of both 1954 and 1955.

At the industry level, most of the buildup in manufacturing occurred in the metal-using industries, and at the wholesale level in outlets handling machinery and durable household items. In retail trade a more than seasonal rise occurred in holdings of automobiles, with some investment also in food and beverage inventories of a more than seasonal nature in the first quarter.

#### Exports and Imports of Goods and Services

Exports and imports of goods and services, seasonally adjusted, each rose by 6 per cent from the fourth to the first quarter to rates of \$6.2 billion and \$7.3 billion, respectively. The recent increases have brought the level of exports to a point 10 per cent above last year's first quarter, and the level of imports to a point 21 per cent above last year's first quarter. The deficit on current account in the first quarter of this year was at a seasonally adjusted annual rate of approximately \$1.2 billion.

The major factor in the rise in exports in the first quarter, seasonally adjusted, was a sharp increase in the agricultural products group. It may be noted that exports of agricultural products have remained at relatively low levels for some time and the recent increase is the largest single quarter-to-quarter gain to have occurred in a two-year period, when adjustment is made for seasonal factors. Changes in other groups were relatively much smaller. In comparison with the first quarter of a year ago, the most notable increases in merchandise exports have been in such commodities as metals and metal products, pulp and paper, and petroleum.



NOTE: ALL DATA SEASONALLY ADJUSTED AT ANNUAL RATES

On the import side, the major increase occurred in imports of iron and steel products, though most other groups also rose, particularly non-ferrous metals and non-metallic minerals. These gains reflected increased demand for types of imported products associated with the plant, machinery and equipment investment programme, and the business inventory buildup. It may be noted that merchandise imports, seasonally adjusted, have continued to rise sharply throughout March and April of this year and the most recent figure (for April) shows a gain more than one-third over the same period one year ago. Imports of services also increased over the fourth quarter of 1955, with the greater part of the gain occurring in freight and shipping payments which were higher as a result of the increased inflow of merchandise imports.

Prices of exports and imports of goods and services remained relatively stable between the fourth and first quarters, but relative to one year ago, both groups have shown an increase of close to 5 per cent.

#### Personal Income and Expenditure

Personal income in the first quarter of 1956, seasonally adjusted, amounted to \$20.4 billion. The increase in personal income from \$20.2 billion in the fourth quarter of last year was 1 per cent, about the same percentage increase

as the rise in National Income. Compared with the same quarter of 1955, personal income rose 9 per cent, while National Income rose 13 per cent. The smaller increase in personal income can be attributed to the fact that corporation profits rose at a much faster rate than dividends paid to persons, and that government transfer payments to persons declined somewhat from the first quarter of 1955 to the first quarter of 1956. In the latter component decreases in Prairie Farm Assistance Payments and unemployment insurance benefits, out-weighed increases in old age security payments, family allowances and grants to various institutions.

Total consumer expenditure rose 2 per cent from the fourth quarter of last year to the first quarter of this year, and personal direct taxes rose by 4 per cent. With personal income only higher by 1 per cent, personal saving declined between the fourth and the first quarters, from \$1.4 billion to \$1.2 billion. As a proportion of personal income, personal saving was 5.9 per cent in the first quarter and 6.9 per cent in the fourth quarter.





TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,795	2,904	3,004	3,012	11,715
2. Military Pay and Allowances.....	70	77	79	83	309
3. Investment Income.....	885	1,019	1,014	864	3,782
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup>	19	113	1,374	146	1,652
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	345	448	440	442	1,675
6. NET NATIONAL INCOME AT FACTOR COST.....	4,114	4,561	5,911	4,547	19,133
7. Indirect Taxes less Subsidies.....	690	733	744	740	2,907
8. Depreciation Allowances and Similar Business Costs.....	547	600	607	664	2,418
9. Residual Error of Estimate.....	-6	-75	25	71	15
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,345	5,819	7,287	6,022	24,473
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	5,326	5,706	5,913	5,876	22,821

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

	1953				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,461	3,792	3,666	4,193	15,112
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,177	883	1,190	1,138	4,388
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction <sup>5</sup> .....	190	273	302	296	1,061
4. New Non-Residential Construction.....	311	412	523	460	1,706
5. New Machinery and Equipment <sup>6</sup> .....	522	592	520	439	2,073
6. Change in Inventories.....	-141	-11	1,130	-387	591
7. (Business Inventories only) <sup>3</sup> .....	(104)	(221)	(146)	(-76)	(395)
8. Exports of Goods and Services.....	1,154	1,399	1,478	1,369	5,400
9. Deduct: Imports of Goods and Services.....	-1,335	-1,597	-1,496	-1,415	-5,843
10. Residual Error of Estimate.....	6	76	-26	-71	-15
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,345	5,819	7,287	6,022	24,473

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1953					1954					1955					1956	
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	I	I
590	401	452	464	1,907	528	360	399	440	1,727	520	390	413	433	1,756	499	

5. In 1955, data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

6. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

NATIONAL PRODUCT, BY QUARTERS, 1953-1956  
of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
2,856	2,948	3,075	3,115	11,994	2,969	3,150	3,315	3,376	12,810	3,260
83	92	95	97	367	93	100	101	100	394	93
848	952	991	863	3,654	878	1,137	1,244	1,096	4,355	1,090
61	147	741	198	1,147	-7	197	1,059	155	1,404	2
324	425	433	464	1,646	341	455	474	505	1,775	371
4,172	4,564	5,335	4,737	18,808	4,274	5,039	6,193	5,232	20,738	4,816
724	739	732	748	2,943	751	793	822	843	3,209	842
621	673	668	711	2,673	662	713	725	765	2,865	729
-77	-85	-3	58	-107	6	-33	-21	5	-43	-29
5,440	5,891	6,732	6,254	24,317	5,693	6,512	7,719	6,845	26,769	6,358
5,379	5,744	5,991	6,056	23,170	5,700	6,315	6,660	6,690	25,365	6,356

EXPENDITURE, BY QUARTERS, 1953-1956  
of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
3,547	3,965	3,887	4,424	15,823	3,760	4,270	4,142	4,716	16,888	4,039
1,139	877	1,196	1,206	4,418	1,242	948	1,271	1,277	4,738	1,297
206	283	334	343	1,166	254	374	427	421	1,476	273
332	410	486	431	1,659	327	419	534	495	1,775	421
460	544	434	403	1,841	417	568	525	507	2,017	563
-137	-103	382	-412	-270	-133	74	884	-317	508	77
(99)	(-3)	(-97)	(-139)	(-140)	(152)	(87)	(71)	(7)	(317)	(351)
1,090	1,278	1,400	1,379	5,147	1,217	1,437	1,581	1,518	5,753	1,340
-1,274	-1,448	-1,389	-1,463	-5,574	-1,385	-1,612	-1,666	-1,767	-6,430	-1,681
77	85	2	-57	107	-6	34	21	-5	44	29
5,440	5,891	6,732	6,254	24,317	5,693	6,512	7,719	6,845	26,769	6,358



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,795	2,904	3,004	3,012	11,715
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-95	-97	-98	-100	-390
3. Military Pay and Allowances.....	70	77	75	83	309
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	-1	150	1,296	212	1,657
5. Net Income of Non-Farm Unincorporated Business.....	345	448	440	442	1,675
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	385	426	413	425	1,649
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	423	344	346	351	1,464
8. Charitable Contributions by Corporations.....	7	8	7	6	28
9. Net Bad Debt Losses of Corporations.....	6	6	6	7	25
10. PERSONAL INCOME.....	3,935	4,266	5,493	4,438	18,132

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1953				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	312	381	291	303	1,287
2. Succession Duties.....	19	17	20	17	73
3. Miscellaneous.....	27	17	12	16	72
4. Total Personal Direct Taxes.....	358	415	323	336	1,432
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	1,872	2,105	2,109	2,495	8,581
6. Durable Goods.....	424	495	419	452	1,790
7. Services <sup>1</sup> .....	1,165	1,192	1,138	1,246	4,741
8. Total Personal Expenditure on Consumer Goods and Services....	3,461	3,792	3,666	4,193	15,112
Personal Savings:					
9. Personal Saving Excluding Farm Inventory Change.....	385	212	633	308	1,538
10. Farm Inventory Change.....	-269	-153	871	-399	50
11. Total Personal Saving.....	116	59	1,504	-91	1,588
12. PERSONAL INCOME.....	3,935	4,266	5,493	4,438	18,132
13. (Personal Disposable Income) <sup>2</sup> .....	(3,577)	(3,851)	(5,170)	(4,102)	(16,700)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1953-1956  
(of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
2,856	2,948	3,075	3,115	11,994	2,969	3,150	3,315	3,376	12,810	3,260
-95	-98	-100	-103	-396	-100	-103	-106	-111	-420	-110
83	52	95	97	367	93	100	101	100	394	93
66	156	720	209	1,151	-28	214	1,046	150	1,382	5
324	425	433	464	1,646	341	455	474	505	1,775	371
403	461	441	474	1,779	453	491	488	528	1,960	486
476	386	378	390	1,630	537	415	390	383	1,725	527
6	7	7	5	25	6	8	9	8	31	7
6	6	7	7	26	6	6	7	7	26	6
4,125	4,383	5,056	4,658	18,222	4,277	4,736	5,724	4,946	19,683	4,645

INCOME, BY QUARTERS, 1953-1956  
(of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
298	359	314	325	1,296	310	336	322	328	1,296	329
17	17	18	26	78	24	22	37	37	120	36
23	15	9	13	60	25	18	9	15	67	32
338	391	341	364	1,434	359	376	368	380	1,483	397
1,902	2,197	2,239	2,653	8,991	2,019	2,343	2,327	2,780	9,469	2,191
396	468	406	424	1,694	385	537	478	501	1,901	424
1,249	1,300	1,242	1,347	5,138	1,356	1,390	1,337	1,435	5,518	1,424
3,547	3,965	3,887	4,424	15,823	3,760	4,270	4,142	4,716	16,888	4,039
432	94	366	188	1,080	385	99	449	168	1,101	446
-192	-67	462	-318	-115	-227	-9	765	-318	211	-237
240	27	828	-130	965	158	90	1,214	-150	1,312	209
4,125	4,383	5,056	4,658	18,222	4,277	4,736	5,724	4,946	19,683	4,645
(3,787)	(3,992)	(4,715)	(4,294)	(16,788)	(3,918)	(4,360)	(5,356)	(4,566)	(18,200)	(4,248)

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	11,520	11,744	11,804	11,792	11,715
2. Military Pay and Allowances.....	280	308	316	332	309
3. Investment Income.....	3,844	3,880	3,700	3,704	3,782
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup>	1,640	1,572	1,660	1,736	1,652
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,696	1,700	1,668	1,636	1,675
6. NET NATIONAL INCOME AT FACTOR COST.....	18,980	19,204	19,148	19,200	19,133
7. Indirect Taxes less Subsidies.....	2,880	2,952	2,928	2,868	2,907
8. Depreciation Allowances and Similar Business Costs.....	2,296	2,380	2,440	2,556	2,418
9. Residual Error of Estimate.....	-12	-204	184	92	15
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	24,144	24,332	24,700	24,716	24,473
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,504)	(22,760)	(23,040)	(22,980)	(22,821)

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	14,992	15,040	15,120	15,296	15,112
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,288	4,436	4,504	4,324	4,388
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction <sup>4</sup> .....	1,000	1,056	1,080	1,108	1,061
4. New Non-Residential Construction.....	1,600	1,688	1,776	1,760	1,706
5. New Machinery and Equipment <sup>5</sup> .....	2,188	2,088	2,128	1,888	2,073
6. Change in Inventories.....	580	400	532	852	591
7. (Business Inventories only) <sup>3</sup> .....	(348)	(500)	(420)	(312)	(395)
8. Exports of Goods and Services.....	5,292	5,512	5,636	5,160	5,400
9. Deduct: Imports of Goods and Services.....	-5,808	-6,092	-5,896	-5,576	-5,843
10. Residual Error of Estimate.....	12	204	-180	-96	-15
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	24,144	24,332	24,700	24,716	24,473

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

4. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

5. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.



PRODUCT, BY QUARTERS, 1953-1956  
AT ANNUAL RATES  
of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
11,772	11,908	12,108	12,188	11,994	12,240	12,728	13,064	13,208	12,810	13,440
332	368	380	388	367	372	400	404	400	394	372
3,640	3,740	3,600	3,636	3,654	3,816	4,404	4,564	4,636	4,355	4,728
1,208	1,120	1,080	1,180	1,147	1,328	1,476	1,396	1,416	1,404	1,344
1,668	1,604	1,632	1,680	1,646	1,712	1,744	1,816	1,828	1,775	1,876
18,620	18,740	18,800	19,072	18,808	19,468	20,752	21,244	21,488	20,738	21,760
2,984	2,972	2,888	2,928	2,943	3,100	3,204	3,232	3,300	3,209	3,456
2,604	2,668	2,684	2,736	2,673	2,776	2,828	2,912	2,944	2,865	3,052
-184	-308	-	64	-107	144	-156	-68	-92	-43	64
24,024	24,072	24,372	24,800	24,317	25,488	26,628	27,320	27,640	26,769	28,332
(22,816)	(22,952)	(23,292)	(23,620)	(23,170)	(24,160)	(25,152)	(25,924)	(26,224)	(25,365)	(26,988)

BY QUARTERS, 1953-1956  
AT ANNUAL RATES  
of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
15,368	15,784	16,040	16,100	15,823	16,264	16,880	17,152	17,256	16,888	17,596
4,292	4,296	4,504	4,580	4,418	4,572	4,768	4,780	4,832	4,738	4,900
1,084	1,096	1,196	1,288	1,166	1,340	1,448	1,532	1,584	1,476	1,428
1,688	1,672	1,640	1,636	1,659	1,676	1,716	1,812	1,896	1,775	2,124
1,936	1,892	1,780	1,756	1,841	1,748	1,940	2,132	2,248	2,017	2,372
24	-544	-520	-40	-270	512	216	508	796	508	1,140
(292)	(-388)	(-392)	(-72)	(-140)	(480)	(-24)	(300)	(512)	(317)	(1,224)
4,972	5,116	5,220	5,280	5,147	5,568	5,688	5,924	5,832	5,753	6,160
-5,528	-5,544	-5,492	-5,732	-5,574	-6,048	-6,184	-6,588	-6,900	-6,430	-7,324
188	304	4	-68	107	-144	156	68	96	44	-64
24,024	24,072	24,372	24,800	24,317	25,488	26,628	27,320	27,640	26,769	28,332

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	11,520	11,744	11,804	11,792	11,715
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-388	-392	-392	-388	-390
3. Military Pay and Allowances.....	280	308	316	332	309
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,488	1,696	1,528	1,916	1,657
5. Net Income of Non-Farm Unincorporated Business.....	1,696	1,700	1,668	1,636	1,675
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,620	1,656	1,668	1,652	1,649
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,380	1,432	1,500	1,544	1,464
8. Charitable Contributions by Corporations.....	28	32	28	24	28
9. Net Bad Debt Losses of Corporations.....	24	24	24	28	25
10. PERSONAL INCOME.....	17,648	18,200	18,144	18,536	18,132

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1953				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	1,236	1,352	1,296	1,264	1,287
2. Succession Duties.....	76	68	80	68	73
3. Miscellaneous.....	72	64	76	76	72
4. Total Personal Direct Taxes.....	1,384	1,484	1,452	1,408	1,432
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	8,556	8,568	8,596	8,604	8,581
6. Durable Goods.....	1,836	1,788	1,760	1,776	1,790
7. Services <sup>1</sup> .....	4,600	4,684	4,764	4,916	4,741
8. Total Personal Expenditure on Consumer Goods and Services....	14,992	15,040	15,120	15,296	15,112
Personal Savings:					
9. Personal Saving Excluding Farm Inventory Change.....	1,280	1,568	1,788	1,516	1,538
10. Farm Inventory Change.....	-8	108	-216	316	50
11. Total Personal Saving.....	1,272	1,676	1,572	1,832	1,588
12. PERSONAL INCOME.....	17,648	18,200	18,144	18,536	18,132
13. (Personal Disposable Income) <sup>2</sup> .....	(16,264)	(16,716)	(16,692)	(17,128)	(16,700)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1953-1956  
AT ANNUAL RATES  
(of dollars)

1954				Year	1955				Year	1956	
I	II	III	IV		I	II	III	IV		I	II
11,772	11,908	12,108	12,188	11,994	12,240	12,728	13,064	13,208	12,810	13,440	
-388	-396	-400	-400	-396	-408	-416	-424	-432	-420	-448	
332	368	380	388	367	372	400	404	400	394	372	
1,232	1,164	980	1,228	1,151	1,244	1,544	1,344	1,396	1,382	1,356	
1,668	1,604	1,632	1,680	1,646	1,712	1,744	1,816	1,828	1,775	1,876	
1,700	1,792	1,784	1,840	1,779	1,908	1,908	1,972	2,052	1,960	2,048	
1,552	1,612	1,644	1,712	1,630	1,764	1,740	1,704	1,692	1,725	1,728	
24	28	28	20	25	24	32	36	32	31	28	
24	24	28	28	26	24	24	28	28	26	24	
17,916	18,104	18,184	18,684	18,222	18,880	19,704	19,944	20,204	19,683	20,424	

INCOME, BY QUARTERS, 1953-1956  
AT ANNUAL RATES  
(of dollars)

1954				Year	1955				Year	1956	
I	II	III	IV		I	II	III	IV		I	II
1,260	1,324	1,284	1,316	1,296	1,304	1,232	1,320	1,328	1,296	1,388	
68	68	72	104	78	96	88	148	148	120	144	
60	56	56	68	60	64	68	60	76	67	84	
1,388	1,448	1,412	1,488	1,434	1,464	1,388	1,528	1,552	1,483	1,616	
8,712	8,952	9,148	9,152	8,991	9,168	9,532	9,576	9,600	9,469	9,940	
1,756	1,676	1,696	1,648	1,694	1,744	1,888	1,992	1,980	1,901	1,908	
4,900	5,156	5,196	5,300	5,138	5,352	5,460	5,584	5,676	5,518	5,748	
15,368	15,784	16,040	16,100	15,823	16,264	16,880	17,152	17,256	16,888	17,596	
1,376	968	832	1,144	1,080	1,008	1,228	1,160	1,008	1,101	1,264	
-216	-96	-100	-48	-115	144	208	104	388	211	-52	
1,160	872	732	1,096	965	1,152	1,436	1,264	1,396	1,312	1,212	
17,916	18,104	18,184	18,684	18,222	18,880	19,704	19,944	20,204	19,683	20,424	
(16,528)	(16,656)	(16,772)	(17,196)	(16,788)	(17,416)	(18,316)	(18,416)	(18,652)	(18,200)	(18,808)	



TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED FOR  
(millions)

	1953				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	2,964	3,256	3,113	3,572	12,905
2. Non-Durable Goods.....	1,676	1,896	1,879	2,227	7,678
3. Durable Goods.....	368	428	365	397	1,558
4. Services.....	920	932	869	948	3,669
5. Government Expenditure on Goods and Services.....	941	696	934	881	3,452
Gross Domestic Investment:					
6. New Residential Construction.....	150	215	236	231	832
7. New Non-Residential Construction.....	233	312	396	346	1,287
8. New Machinery and Equipment.....	440	495	429	361	1,725
9. Change in Inventories.....	-169	-90	1,287	-444	584
10. (Business Inventories only).....	(98)	(181)	(90)	(-41)	(328)
11. Exports of Goods and Services.....	1,019	1,254	1,336	1,247	4,856
12. Deduct: Imports of Goods and Services.....	-1,220	-1,443	-1,351	-1,283	-5,297
13. Residual Error of Estimate.....	5	63	-21	-59	-12
14. GROSS NATIONAL EXPENDITURE.....	4,363	4,758	6,359	4,852	20,332

1. See footnotes, Table 2.

CONSTANT DOLLARS, BY QUARTERS, 1953-1956  
 SEASONALITY<sup>1</sup>  
 of dollars)

1954					1955					1956
I	II	III	IV	Year	I	II	III	IV	Year	I
3,006	3,356	2,268	3,745	13,375	3,162	3,625	3,516	3,997	14,300	3,388
1,710	1,977	2,000	2,383	8,070	1,827	2,117	2,094	2,506	8,544	1,985
347	409	355	378	1,489	347	493	451	463	1,754	390
949	970	913	984	3,816	988	1,015	971	1,028	4,002	1,013
874	659	912	912	3,357	929	692	937	923	3,481	928
162	222	260	266	910	196	287	323	316	1,122	203
244	310	369	327	1,250	242	310	390	352	1,294	289
381	446	359	332	1,518	343	468	426	391	1,628	432
-156	-142	438	-406	-266	-225	-9	1,058	-388	436	-77
(114)	(3)	(-54)	(-123)	(-60)	(104)	(72)	(13)	(-29)	(160)	(244)
992	1,153	1,264	1,262	4,671	1,087	1,248	1,363	1,300	4,998	1,143
-1,162	-1,305	-1,257	-1,334	-5,058	-1,247	-1,441	-1,489	-1,544	-5,721	-1,445
63	69	2	-47	87	-5	27	17	-4	35	23
4,404	4,768	5,615	5,057	19,844	4,482	5,207	6,541	5,343	21,573	4,884





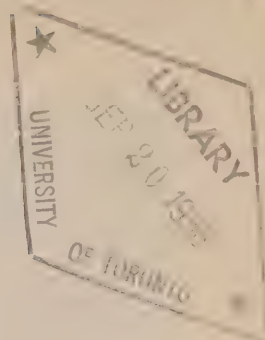
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CANADA



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
SECOND QUARTER  
1956

*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

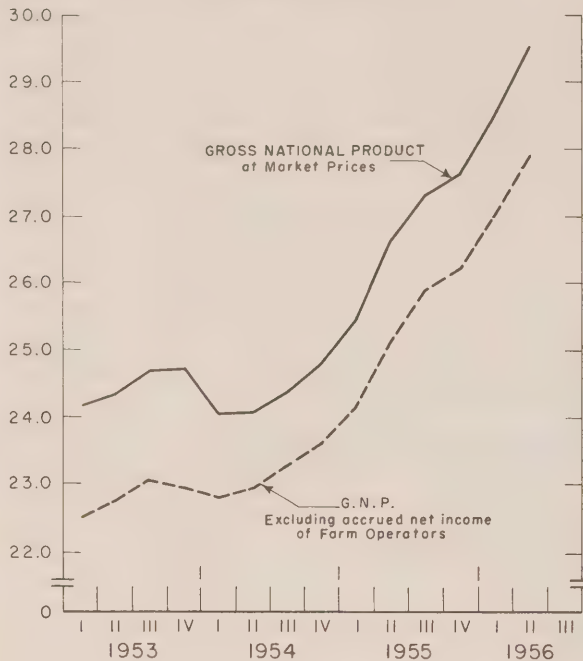
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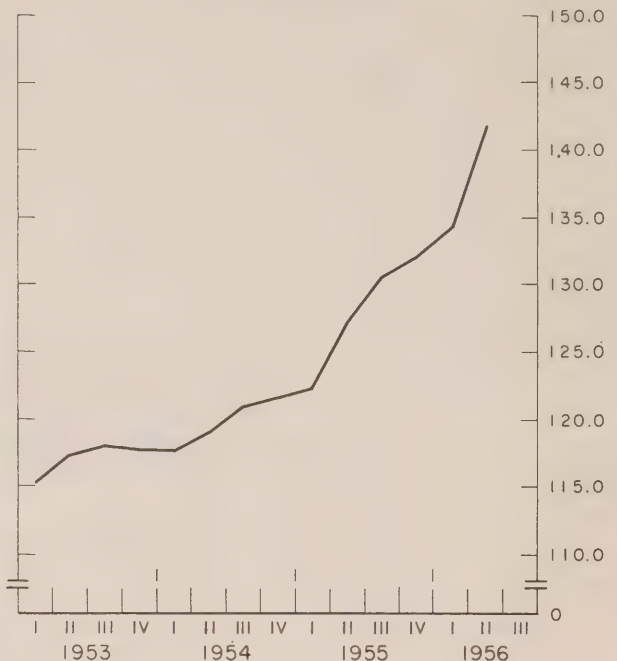
### GROSS NATIONAL PRODUCT MADE A FURTHER SUBSTANTIAL GAIN IN THE SECOND QUARTER

(BILLIONS OF DOLLARS)



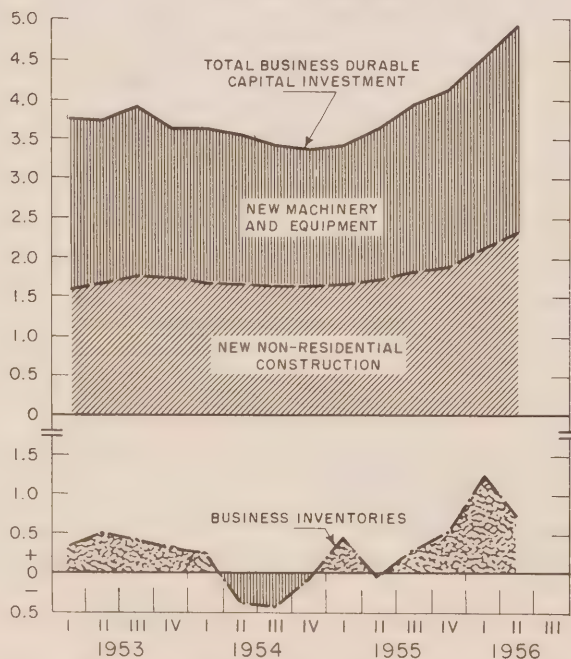
### THE RISE IN LABOUR INCOME WAS THE LARGEST QUARTERLY INCREASE IN A FIVE YEAR PERIOD

(BILLIONS OF DOLLARS)



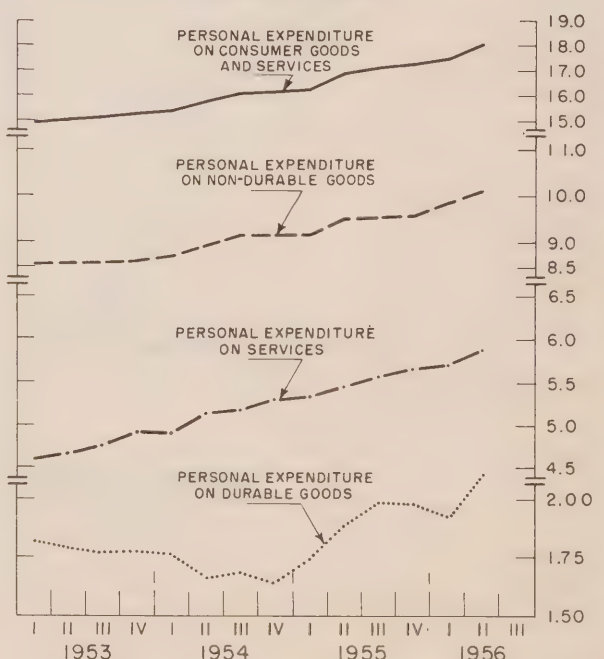
### BUSINESS OUTLAYS FOR NEW PLANT, MACHINERY AND EQUIPMENT CONTINUED TO MOVE UPWARD, BUT INVESTMENT IN INVENTORIES WAS MORE MODERATE

(BILLIONS OF DOLLARS)



### CONSUMER EXPENDITURE ROSE FURTHER, WITH GAINS IN ALL THREE MAJOR COMPONENTS

(BILLIONS OF DOLLARS)



Note: All data seasonally adjusted at annual rates.

## INTRODUCTION

The recent sharp gains in seasonally adjusted Gross National Product continued unabated in the second quarter of 1956, with the increase over the first quarter amounting to more than 3 per cent. This latest advance has brought the level of Gross National Product to an annual rate of \$29.5 billion, compared with \$28.6 billion in the first quarter of this year. It appears that about two-thirds of the increase over the first quarter of this year was represented by a gain in the physical volume of production, with price factors accounting for the balance of the rise in value. In the first half of this year, Gross National Product rose by more than 10 per cent in value terms and by between 6 and 7 per cent in terms of the physical volume of production<sup>1</sup>, compared with the same period of a year ago.

Three major developments have emerged as the dominant features of the first half of the year 1956. These have been very high levels of fixed capital investment expenditures currently being undertaken by business, the high rate of business inventory accumulation, and the heavy current account deficit or import balance, which averaged \$1.2 billion at seasonally adjusted annual rates in the first half. Total final expenditures by all groups plus investment in inventories in the first half of this year were running at an annual rate more than \$4 billion above the corresponding period of 1955, as the table below shows. Business investment in plant and equipment and in inventories together accounted for close to one-half of this total increase. At the same time, about one-third of the total \$4.0 billion increase was met out of imports rather than Canadian production, alleviating to some extent the demand pressures being placed on Canadian production.

### CHANGES IN COMPONENTS OF GROSS NATIONAL EXPENDITURE (billions of dollars)

	6 months 1955	6 months 1956	Change in billions of dollars	Per cent Change	Allocation of change in gross avail- able supply
	(averaged at seasonally adjusted annual rates)				
<u>Business Investment</u>	\$	\$	\$	%	%
Plant and equipment	3.5	4.7	+1.2	33.5	27.3
Inventories	.4	1.1	+ .7	-	16.4
Sub-total	3.9	5.8	+1.9	48.6	43.7
<u>Other Purchases<sup>2</sup></u>	28.3	30.7	+2.4	8.7	56.3
<u>Sub-Total (final purchases plus inventory investment)<sup>3</sup></u>	32.2	36.5	+4.3	13.5	100.0
Less Imports	-6.1	-7.5	-1.4	22.7	-32.0
<u>Gross National Expenditure</u>	26.1	29.0	+3.0	11.4	68.0

(Note: Figures will not add by +.1 or -.1 due to rounding.)

1. The percentage changes given here are based on unadjusted data and make no allowance for the anticipated higher value of crop production in 1956 which is now estimated at about \$150 million above 1955. The seasonally adjusted figures of Gross National Product, however, include an allowance for this factor based on latest crop returns.

2. Includes consumer expenditure, government expenditure, residential construction and exports.

3. Equals gross available supply, or production plus imports.



These sharp advances in the national expenditure have been accompanied by some upward movement in prices in most of the components of Gross National Expenditure. At the total Gross National Expenditure level, prices have risen overall by about 3 per cent since the second quarter of last year, with about 1 per cent occurring in the current quarter. The most pronounced increases since a year ago have been in the non-residential construction and machinery and equipment categories, where price factors (including costs) showed a gain of about 7 per cent. The price (and cost) factor in residential construction was up 5 per cent, and export and import prices (on the National Accounts basis) were up by 3 and 4 per cent respectively over a year ago. Consumer prices overall have risen by only about 1 per cent in the year-over-year comparison<sup>1</sup>.

The rise in output between the first and second quarters of this year was concentrated in durable goods manufacturing and in construction. The increase in the durable goods group amounted to 5 per cent, with large gains recorded for transportation equipment (up 22 per cent), non-ferrous metals (up 8 per cent), and electrical apparatus and supplies (up 5 per cent). The iron and steel group, which moved upward in the first quarter, remained level but was producing at a rate about 15 per cent above a year ago.

Associated with the above increases in output, the industrial composite employment index rose by 3 per cent above the first quarter, after allowance for seasonal factors. This most recent increase brought the index to a level 7 per cent above a year ago. The number of paid workers in the non-agricultural labour force was 6 per cent above the second quarter of a year ago. The number of persons without jobs and seeking work amounted to about 3 per cent of the total labour force in the second quarter of 1956. Compared with one year ago, the number of persons without jobs and seeking work had declined by about 23 per cent.

These increases in output and in employment in the second quarter were accompanied by the largest advance in labour income since the latter part of 1950. The gains by industry were widespread, with large increases occurring in durable manufacturing, construction, and the service groups. Corporation profits were also higher in the second quarter, with a gain of about 5 per cent over the first quarter.

On the expenditure side, all of the major demand categories showed increases in the second quarter, contributing to the gains over a year ago as noted earlier. A single exception was investment in inventories, where the rate of accumulation slackened from the extremely high level of the first quarter. Investment in plant, machinery and equipment continued to move forward rapidly. Residential construction, which declined in the first quarter, showed an advance as housing completions rose; however, the fall-off in housing starts in the last few months indicates that the rise in completions is temporary. Durable goods purchases, which had also fallen off in the first quarter as automobile sales declined, moved upward in the second quarter as seasonally adjusted sales of new passenger automobiles rose 30 per cent above the first quarter level. Imports and exports, seasonally adjusted, continued to rise sharply and the deficit on current account showed little change from the first quarter rate.

1. See footnote 2, Table 9.

HOUSING COMPLETIONS ROSE IN THE SECOND QUARTER,  
BUT HOUSING STARTS HAVE CONTINUED TO MOVE  
DOWNWARD SINCE THE LATTER PART OF 1955



### Fixed Investment Outlays Continued Upward

Business investment outlays for new plant and equipment continued to move upward in the second quarter and were running at a level about 30 per cent above the 1955 annual average, or about 9 per cent above the first quarter rate. In the first six months of this year, plant and equipment expenditures averaged about 34 per cent above the first six months of 1955. It may be noted that the revised mid-year survey of investment intentions indicated a proposed increase of about 40 per cent in business investment outlays in these categories, with the gains concentrated in the commodity producing, fuel, and power industries. Prices have recently been increasing for construction and machinery and equipment items, and the volume increases from a year ago are therefore less than the value changes indicated above.

Non-residential construction was running at an annual rate of \$2.3 billion in the second quarter compared with \$2.1 billion in the first quarter and \$1.7 billion in the second quarter a year ago. This constitutes an increase of 9 per cent over the first quarter, and 37 per cent over the same quarter of a year ago. Employment in building and structures has shown a very sharp rise and was 7 per cent above the first quarter level, and 20 per cent over last year's second quarter. The mid-year investment intentions survey indicated an expected increase of 49 per cent in new non-residential construction to be put in place in 1956.



Expenditures on machinery and equipment were at a rate of \$2.6 billion in the second quarter, a gain of 8 per cent over the first quarter and 33 per cent above the second quarter a year ago. Imports of machinery and equipment appear to have constituted a smaller proportion of the current increase (about one-fifth) than in the first quarter, when they accounted for the bulk of the gain. However, in the first six months of this year, imports have accounted for more than 40 per cent of the increase in the machinery and equipment investment program over the first half of 1955. The mid-year survey of expected expenditures on machinery and equipment indicated an increase of 34 per cent for the year 1956 as a whole.

After declining in the first quarter, the value of new house building moved upward in the second quarter by about 10 per cent, and was at a rate of \$1.6 billion, or 13 per cent above the same period 1955. The current high rate of activity is a result of a rise in completions reflecting the high level of starts in the last half of 1955. Since that time, however, seasonally adjusted starts have been slackening, and completions can be expected to follow in consequence. Competing demands on the available supply of credit for business investment have likely been a factor in the current slackening in starts. Completions, on the other hand were running at a rate of 145,570 in the second quarter, compared with a rate of 127,552 for 1955 as a whole.

#### Business Inventory Accumulation Slackened

Investment in business inventories in the first half of 1956 was at an average annual rate of about one billion dollars, a much higher rate of accumulation than in any similar period since 1951. At the same time, high levels of final demand and accompanying rapid turnover gave rise to stock-sales ratios which were somewhat lower than those for the same period in the past few years. In overall terms, therefore, the higher level of inventories in the current year would not seem to be inconsistent with the expanding volume of business activity.

More than one-half of the build-up in inventories in the January-June period took place in the first quarter of the year, with the major portion occurring in the durable goods manufacturing industries and most of the balance in the retail and wholesale trade groups. However, in the second quarter, continuing high levels of domestic production and imports were more closely matched by the out-flow of commodities into final expenditures. Thus, the rate of business inventory accumulation in the second quarter fell from \$1.3 billion in the first quarter to \$0.7 billion. This rate of inventory investment was equal to about 2.5 per cent of Gross National Expenditure in the second quarter, while in the first quarter, it was nearly 5 per cent.

Within manufacturing, while the overall build-up remained substantial (at somewhat less than half of the first quarter rate), there was a sizable liquidation of goods in process in the transportation equipment group as well as some drawing down of stocks in the rubber industry, associated with the extremely sharp upturn in production and sales of new motor vehicles. This liquidation, however, was more than offset by a continuing build-up in the other durable goods groups, mainly in iron and steel products, non-ferrous metals and electrical apparatus and supplies, associated in part with the needs of the capital investment program.

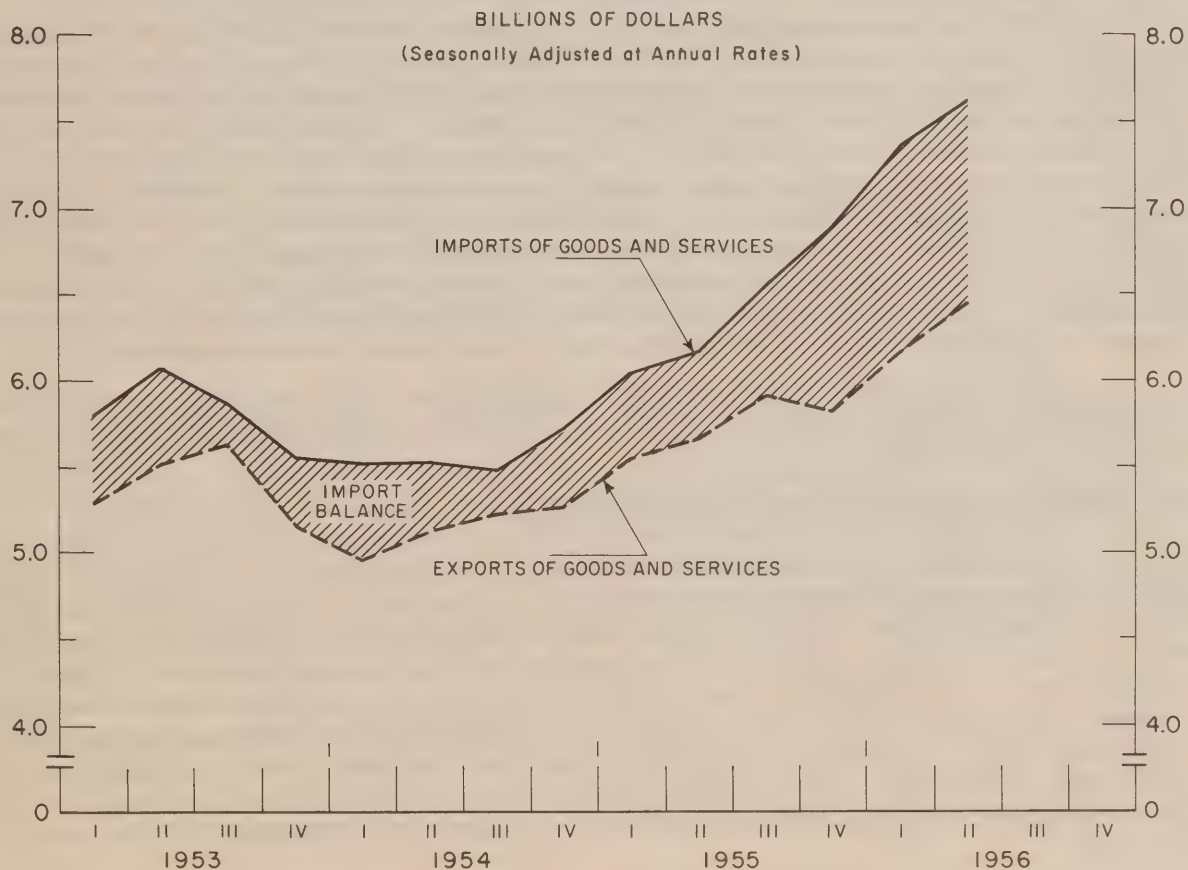


On balance, durable goods manufacturing inventories of all kinds were accumulating at only about one-fourth the first quarter rate. In the non-durable manufacturing group, the fall off in the rate of accumulation was less marked than in the durable group, continuing at about half of the first quarter rate.

Within retail and wholesale trade, durable goods holdings were subject to substantial liquidations in the second quarter, in contrast to the sizable build-up which occurred in the first quarter. The liquidations occurred both in investment-type materials and in consumer durables. The single major exception in the durable group occurred in retail holdings of automobiles which, in spite of the high level of sales, showed a small accumulation, reflecting a sharp advance in production and factory shipments to dealers.

In contrast to the reductions in the majority of the durable goods items held at retail and wholesale, non-durable goods inventories at these levels continued to advance in the second quarter, though at a lower rate of accumulation. Taking both durables and non-durables together, the combined build-up in retail and wholesale trade channels in the second quarter appears to have been about half of the first quarter rate.

BOTH IMPORTS AND EXPORTS OF GOODS AND SERVICES SHOWED  
FURTHER SHARP ADVANCES, WITH THE DEFICIT ON  
CURRENT ACCOUNT REMAINING AT ABOUT THE FIRST QUARTER RATE



### Imports and Exports Continue Sharp Rise

Seasonally adjusted exports and imports of goods and services continued to advance in the second quarter with gains of 5 and 3 per cent respectively. This latest advance has raised the level of exports to a point about 14 per cent above last year's second quarter level, and the level of imports to a point about 28 per cent above last year's second quarter. The deficit on current account in the second quarter remained relatively unchanged from the first quarter rate of \$1.2 billion, seasonally adjusted at annual rates.

The major advance in exports from the first to second quarter occurred in the goods group, with services showing little change. Exports of agricultural products accounted for about half the gain between the first and second quarter, reflecting continued strong sales of Canadian wheat abroad. The revival of exports of agricultural products in the first half of this year follows a two-year period in which grain export sales have shown little change. The remaining half of the increase in exports from the first to second quarters was accounted for by higher shipments of iron and its products, non-metallic minerals, and chemicals.

In the half year, merchandise exports have risen by about 12 per cent over the same period 1955, and exports of agricultural products have advanced by 25 per cent. Iron and its products, non-ferrous metals and non-metallic minerals taken together have accounted for about half of the increase over a year ago, with advances of 20 per cent, 9 per cent and 51 per cent respectively. These gains reflect high levels of economic activity in the United States and overseas countries which have created strong demands for Canadian industrial materials.

Turning to commodity imports, the major factor in the advance from the first to the second quarter may be found in the metal groups: iron and its products, non-ferrous metal products, and non-metallic mineral products together accounted for the major part of the second quarter increase. In the first six months of 1956, merchandise imports were up by 30 per cent, with the gains widely spread but showing up most sharply in the metal groups noted above. Imports of iron and steel products were up 50 per cent over the first six months of last year, non-ferrous metal products 32 per cent, and non-metallic minerals 20 per cent. These sharp gains over a year ago continued to reflect the high level of industrial growth which is currently under way in Canada, as well as the high levels of employment and income which have given rise to increased consumer demands<sup>1</sup>.

Prices of exports and imports of goods and services in the second quarter were estimated to be up by 3 per cent and 4 per cent respectively over the second quarter of a year ago.

### Labour Income, Consumer Spending and Saving Up

The rise in labour income, seasonally adjusted, from the first to the second quarter amounted to 5 per cent, and was the largest quarter-to-quarter increase since the last half of 1950. The latest gain has raised the level of labour income to a point about 11 per cent above the second quarter of 1955. The increase over a year ago reflects a rise in the number of paid workers amounting to about 6 per cent, with the balance accounted for by an increase in hourly average earnings. Average hours worked per week in manufacturing showed little change from a year ago. The gain of 5 per cent, which occurred between the first and second quarter of this year appears to reflect an increase of 3 per cent in

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1. Year-over-year comparisons are based on five months data, with June estimated.



employment in the main non-agricultural industries, with the balance being accounted for by increases in average hourly earnings.

The gains in labour income from the first to the second quarter of this year were widespread, but were especially marked in construction and in durable goods manufacturing. Agriculture, forestry, mining, public utilities, transportation, storage, communication, trade and the service industries were all higher in the second quarter.

The large gain in labour income in the second quarter was accompanied by an acceleration in the rate of consumer spending. Personal expenditure on consumer goods and services rose by 3 per cent, (compared with 2 per cent in the first quarter), with gains occurring in the durable, non-durable and services groups. This latest increase has brought the level of personal expenditure on consumer goods and services in the second quarter to a point about 7 per cent above the second quarter of 1955.

Consumer expenditure on durable goods, which was moving downward in the first quarter showed a sharp rise in the second quarter, (of 9 per cent) reflecting for the most part an upturn in sales of passenger automobiles. Seasonally adjusted, these were about 30 per cent above the first quarter level. Total personal expenditure on durable goods was up about 11 per cent over the second quarter of a year ago.

Consumer expenditures for non-durable goods and for services were up 2 and 3 per cent respectively over the first quarter of this year, and 6 and 7 per cent respectively over the same period a year ago. From the first to the second quarter, the gains in non-durable goods purchases were widespread, affecting all groups with the exception of clothing purchases which showed a decline. It may be noted that Easter occurred in March of this year and that Easter sales are included in the first quarter figures. Relatively little movement has occurred in the price of consumer goods as a whole over the course of the past year; at the total level, an increase of only about 1 per cent is shown. This increase from a year ago is largely attributable to higher prices for services, with small declines in the price of durable goods offset by a small advance in the price of non-durable goods. Since the end of the second quarter of this year, non-durable prices have shown a further advance, as food prices have been rising.

The rising level of consumer expenditure in the second quarter was supported by a sharp increase in disposable income which rose by almost 5 per cent. This was largely attributable to the very marked advance in wage and salary payments which has been noted previously. Since consumer expenditure rose less sharply than disposable income, there was a substantial rise in the rate of saving in the second quarter of this year, from \$1.4 billion in the first quarter to \$1.8 billion. The latter figure constitutes about 9 per cent of disposable income compared with about 7 1/2 per cent in the first quarter.



TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	2,969	3,150	3,315	3,376	12,810	3,261	3,510
2. Military Pay and Allowances.....	93	100	101	100	394	93	106
3. Investment Income.....	878	1,137	1,244	1,096	4,355	1,090	1,308
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	-7	197	1,059	155	1,404	-6	130
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	341	455	474	505	1,775	370	485
6. NET NATIONAL INCOME AT FACTOR COST.....	4,274	5,039	6,193	5,232	20,738	4,808	5,539
7. Indirect Taxes less Subsidies.....	751	793	822	843	3,209	843	895
8. Depreciation Allowances and Similar Business Costs	662	713	725	765	2,865	729	787
9. Residual Error of Estimate.....	6	-33	-21	5	-43	-8	-120
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,101
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	5,700	6,315	6,660	6,690	25,365	6,378	6,971

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,561
2. Government Expenditure on Goods and Services <sup>1,4</sup> ..	1,242	948	1,271	1,277	4,738	1,303	1,025
Gross Domestic Investment <sup>2</sup>							
3. New Residential Construction <sup>5</sup> .....	254	374	427	421	1,476	281	423
4. New Non-Residential Construction.....	327	419	534	495	1,775	426	574
5. New Machinery and Equipment <sup>6</sup> .....	417	568	525	507	2,017	566	753
6. Change in Inventories.....	-133	74	884	-317	508	93	76
7. (Business Inventories only) <sup>3</sup> .....	(152)	(87)	(71)	(7)	(317)	(367)	(262)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753	1,344	1,634
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430	-1,682	-2,065
10. Residual Error of Estimate.....	-6	34	21	-5	44	8	120
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,101

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956	
I	II	III	IV	Year	I	II
520	390	413	433	1,756	490	394

5. In 1955, data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

6. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	2,969	3,150	3,315	3,376	12,810	3,261	3,510
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-100	-103	-106	-111	-420	-110	-114
3. Military Pay and Allowances.....	93	100	101	100	394	93	106
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-28	214	1,046	150	1,382	-4	132
5. Net Income of Non-Farm Unincorporated Business....	341	455	474	505	1,775	370	485
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	453	491	488	528	1,960	487	549
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	537	415	390	383	1,725	527	411
8. Charitable Contributions by Corporations.....	6	8	9	8	31	7	10
9. Net Bad Debt Losses of Corporations.....	6	6	7	7	26	6	6
10. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,095

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
Personal Direct Taxes:							
1. Income Taxes.....	310	336	322	328	1,296	329	389
2. Succession Duties.....	24	22	37	37	120	36	45
3. Miscellaneous.....	25	18	9	15	67	32	18
4. Total Personal Direct Taxes.....	359	376	368	380	1,483	397	452
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	2,019	2,343	2,327	2,780	9,469	2,175	2,477
6. Durable Goods.....	385	537	478	501	1,901	428	596
7. Services <sup>1</sup> .....	1,356	1,390	1,337	1,435	5,518	1,430	1,488
8. Total Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,561
Personal Savings:							
9. Personal Saving Excluding Farm Inventory Change.	385	99	449	168	1,101	444	260
10. Farm Inventory Change.....	-227	-9	765	-318	211	-237	-178
11. Total Personal Saving.....	158	90	1,214	-150	1,312	207	82
12. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,095
13. (Personal Disposable Income) <sup>2</sup> .....	(3,918)	(4,360)	(5,356)	(4,566)	(18,200)	(4,240)	(4,643)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	12,240	12,728	13,064	13,208	12,810	13,444	14,188
2. Military Pay and Allowances.....	372	400	404	400	394	372	424
3. Investment Income.....	3,816	4,404	4,564	4,636	4,355	4,744	4,960
Net Income of Unincorporated Business:							
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,328	1,476	1,396	1,416	1,404	1,512	1,612
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	1,712	1,744	1,816	1,828	1,775	1,892	1,880
6. NET NATIONAL INCOME AT FACTOR COST.....	19,468	20,752	21,244	21,488	20,738	21,964	23,064
7. Indirect Taxes less Subsidies.....	3,100	3,204	3,232	3,300	3,209	3,460	3,556
8. Depreciation Allowances and Similar Business Costs	2,776	2,828	2,912	2,944	2,865	3,052	3,120
9. Residual Error of Estimate.....	144	-156	-68	-92	-43	96	-192
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,572	29,548
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	24,160	25,152	25,924	26,224	25,365	27,060	27,936

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-56  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services	16,264	16,880	17,152	17,256	16,888	17,560	18,120
2. Government Expenditure on Goods and Services <sup>1</sup> ....	4,572	4,768	4,780	4,832	4,738	4,920	5,096
Gross Domestic Investment: <sup>2</sup>							
3. New Residential Construction <sup>4</sup> .....	1,340	1,448	1,532	1,584	1,476	1,472	1,624
4. New Non-Residential Construction.....	1,676	1,716	1,812	1,896	1,775	2,148	2,344
5. New Machinery and Equipment <sup>5</sup> .....	1,748	1,940	2,132	2,248	2,017	2,380	2,580
6. Change in Inventories.....	512	216	508	796	508	1,404	748
7. (Business Inventories only) <sup>3</sup> .....	(480)	(-24)	(300)	(512)	(317)	(1,272)	(744)
8. Exports of Goods and Services.....	5,568	5,688	5,924	5,832	5,753	6,176	6,460
9. Deduct: Imports of Goods and Services.....	-6,048	-6,184	-6,588	-6,900	-6,430	-7,392	-7,620
10. Residual Error of Estimate.....	-144	156	68	96	44	-96	196
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,572	29,548

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

4. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

5. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.



TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Wages, Salaries and Supplementary Labour Income...	12,240	12,728	13,064	13,208	12,810	13,444	14,188
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds...	-408	-416	-424	-432	-420	-448	-460
3. Military Pay and Allowances.....	372	400	404	400	394	372	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,244	1,544	1,344	1,396	1,382	1,524	1,620
5. Net Income of Non-Farm Unincorporated Business....	1,712	1,744	1,816	1,828	1,775	1,892	1,880
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup>	1,908	1,908	1,972	2,052	1,960	2,052	2,132
Transfer Payments to Persons:							
7. From Government (Excluding Interest).....	1,764	1,740	1,704	1,692	1,725	1,728	1,720
8. Charitable Contributions by Corporations.....	24	32	36	32	31	28	40
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26	24	24
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,616	21,568

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
Personal Direct Taxes:							
1. Income Taxes.....	1,304	1,232	1,320	1,328	1,296	1,388	1,432
2. Succession Duties.....	96	88	148	148	120	144	180
3. Miscellaneous.....	64	68	60	76	67	84	68
4. Total Personal Direct Taxes.....	1,464	1,388	1,528	1,552	1,483	1,616	1,680
Personal Expenditure on Consumer Goods and Services:							
5. Non-Durable Goods.....	9,168	9,532	9,576	9,600	9,469	9,916	10,112
6. Durable Goods.....	1,744	1,888	1,992	1,980	1,901	1,932	2,112
7. Services <sup>1</sup> .....	5,352	5,460	5,584	5,676	5,518	5,712	5,896
8. Total Personal Expenditure on Consumer Goods and Services.....	16,264	16,880	17,152	17,256	16,888	17,560	18,120
9. Total Personal Saving ...	1,152	1,436	1,264	1,396	1,312	1,440	1,768
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,616	21,568
11. (Personal Disposable Income) <sup>2</sup> .....	(17,416)	(18,316)	(18,416)	(18,652)	(18,200)	(19,000)	(19,888)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, 1955-1956  
UNADJUSTED FOR SEASONALITY<sup>1,2</sup>  
(millions of dollars)

	1955				Year	1956	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services.....	3,162	3,625	3,516	3,997	14,300	3,383	3,836
2. Non-Durable Goods.....	1,827	2,117	2,094	2,506	8,544	1,969	2,230
3. Durable Goods.....	347	493	451	463	1,754	394	550
4. Services.....	988	1,015	971	1,028	4,002	1,020	1,056
5. Government Expenditure on Goods and Services..	929	692	937	923	3,481	932	701
Gross Domestic Investments:							
6. New Residential Construction.....	196	287	323	316	1,122	208	311
7. New Non-Residential Construction.....	242	310	390	352	1,294	292	396
8. New Machinery and Equipment.....	343	468	426	391	1,628	433	575
9. Change in Inventories.....	-225	-9	1,058	-388	436	-86	-99
10. (Business Inventories only).....	(104)	(72)	(13)	(-29)	(160)	(235)	(140)
11. Exports of Goods and Services.....	1,087	1,248	1,363	1,300	4,998	1,146	1,385
12. Deduct: Imports of Goods and Services.....	-1,247	-1,441	-1,489	-1,544	-5,721	-1,443	-1,776
13. Residual Error of Estimate.....	-5	27	17	-4	35	6	94
14. GROSS NATIONAL EXPENDITURE.....	4,482	5,207	6,541	5,343	21,573	4,871	5,423

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. The percentage changes noted on page 2 represent the orders of magnitude suggested by the implicit price deflators between the second quarters of 1955 and 1956. The general ranges indicated here are supported by related price information. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

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Canada. Statistics, Bureau of  
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CANADA

**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
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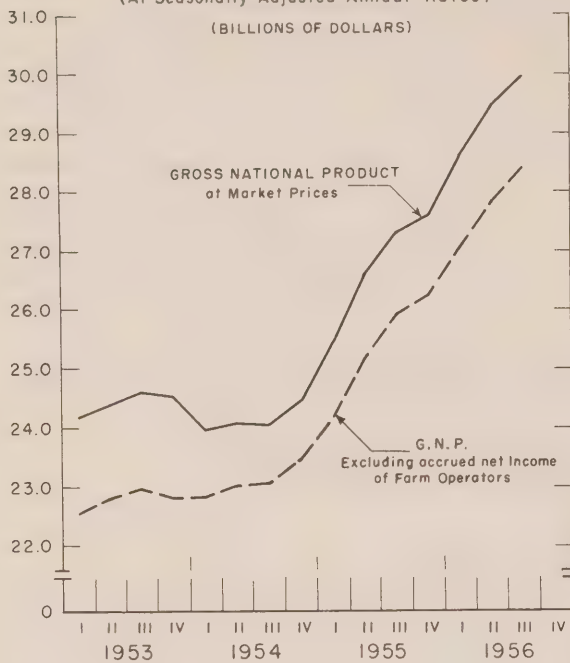
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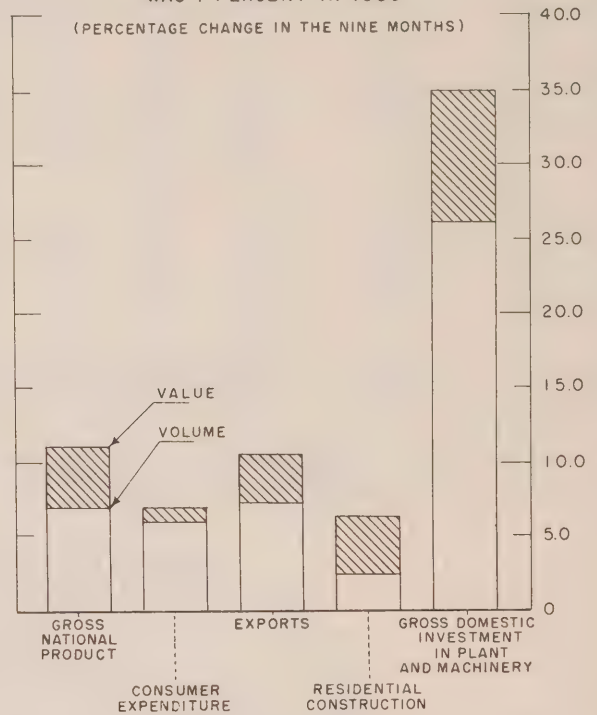
**GROSS NATIONAL PRODUCT IN THE FIRST NINE MONTHS  
OF 1956 AVERAGED 11 PERCENT ABOVE THE  
SAME PERIOD A YEAR AGO**

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



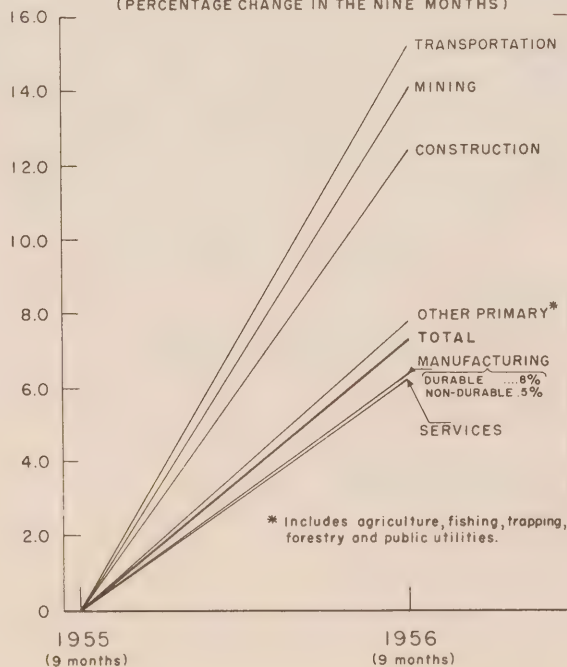
**PRICE FACTORS ACCOUNTED FOR ABOUT ONE-THIRD  
OF THE INCREASE IN GROSS NATIONAL PRODUCT  
BUT THE GAIN IN THE VOLUME OF PRODUCTION  
WAS 7 PERCENT IN 1956**

(PERCENTAGE CHANGE IN THE NINE MONTHS)



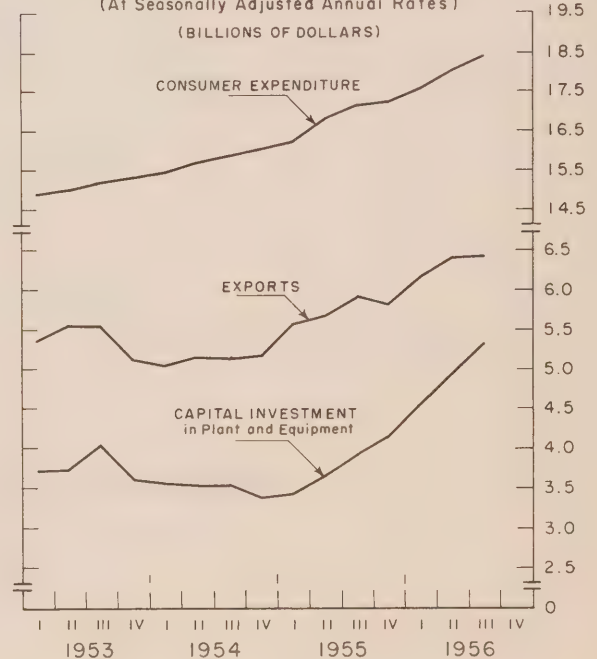
**VOLUME GAINS BY INDUSTRY WERE WIDESPREAD,  
WITH MINING, CONSTRUCTION, TRANSPORTATION  
AND DURABLE GOODS MANUFACTURING  
SHOWING THE SHARPEST ADVANCES**

(PERCENTAGE CHANGE IN THE NINE MONTHS)



**THE MAJOR EXPANSIONARY FACTOR IN THE NINE MONTHS  
HAS BEEN THE RISING CAPITAL INVESTMENT PROGRAM,  
BUT CONSUMER EXPENDITURE AND EXPORTS  
PROVIDED STRONG ELEMENTS OF DEMAND**

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



## INTRODUCTORY REVIEW

Gross National Product continued upward in the third quarter of 1956 and was at a seasonally adjusted annual rate of \$30 billion. This constitutes a gain of close to 2 per cent over the second quarter, somewhat less than the increases of 3 per cent in the first two quarters of the year. Price factors have been somewhat more prominent in recent quarterly increases in the value of production, and related evidence suggests that about one-half of the gain in the third quarter is accounted for by higher prices, with the remainder representing an increase in the real volume of output.

On the income side, the major factor in the third quarter increase in Gross National Product has been a further advance in labour income, which rose by more than 3 per cent after allowance for seasonal variation. Employment and wage rates each showed further gains in the quarter. The recent sharp gains in income have been accompanied by a continued rise in personal expenditures on consumer goods and services; these showed a further increase of 2 per cent in the quarter. Business investment outlays for plant, machinery and equipment have been a major expansionary factor throughout the whole course of the year 1956, and in the third quarter they provided a continued impetus on the demand side, with a gain of about 7 per cent. These two factors together largely accounted for the increase in the nation's expenditure in the third quarter of 1956. Declines in residential construction and in the rate of inventory accumulation were partly offset by gains in outlays by governments, and a small reduction in the deficit on current international account.

### Changes in Selected Components of Income and Expenditure in the Third Quarter (seasonally adjusted)

	2 Q.1956 to <u>3 Q.1956</u>		2 Q.1956 to <u>3 Q.1956</u>
Gross National Product.....	+ 2 %	Residential Construction.....	- 8 %
Wages and Salaries.....	+ 3 %	Non-Residential Construction...	+10 %
Investment Income.....	- 2 %	Machinery and Equipment.....	+ 6 %
Profits.....	+ 3 %		
Personal Expenditure.....	+ 2 %	Exports.....	-
Government Expenditure.....	+ 3 %	Imports.....	- 1 %

With the crop out-turn<sup>1</sup> now known and data covering three quarters of the year's activity in the non-farm sector available, it is now possible to suggest an order of magnitude for the year 1956 as a whole. On the basis of present evidence, it seems likely that the Gross National Product in 1956 will be about 11 per cent above last year's figure of \$26.8 billion. With final product prices higher in the first nine months of this year by 3 or 4 per cent compared with a year ago, the gain in the physical volume of output will likely amount to about 7 per cent. A gain of this magnitude in the physical volume of output would be very close to the 9 per cent increase achieved in 1955, when the economy was recovering from the effects of the mild 1953-1954 recession and increases in the

1. The value of crop production in 1956 is estimated to be \$150 million higher than in the year 1955.



labour force and in productive capacity had not been fully utilized. By any standard, this is an impressive performance, though it has been accompanied by some upward pressure on the general level of prices.

It may be recalled that in 1955 the pattern of demand was characterized by rising expenditures for consumer goods and services, a sharp advance in housing outlays, and a large gain in exports. In the first nine months of 1956, the major dynamic element on the demand side has been the very sharp expansion in the rate of fixed capital investment expenditure, but it is interesting to note that consumer expenditures and exports have also shown increases which come very close to matching those of the year 1955 in percentage terms. (See table below). As a result, total final purchases (excluding inventories) by the major spending groups have increased by more than 11 per cent in the first nine months of 1956 compared with an increase of less than 9 per cent in 1955. However, a larger proportion of these final demands was met out of imports of goods and services in the first nine months of 1956, and the value of Canadian production has increased only slightly more than in 1955. As has been noted, price factors were more significant in this year's increase, and in volume terms the 1956 production gain will be somewhat lower than in 1955.

Value Changes in Selected Components of Gross National Expenditure, 1955 and 1956

	Per Cent Change <u>1954 to 1955</u> (annual)	Per Cent Change <u>1955 to 1956</u> (9 months)
Personal Expenditure.....	7	7
Government Expenditure.....	7	8
Residential Construction.....	27	6
Non-Residential Construction.....	7	36
Machinery and Equipment.....	10	33
Exports.....	12	11
 Total Final Purchases (ex inventories)	 9	 11
 Imports of Goods and Services.....	 15	 20
Gross National Expenditure.....	10	11

A number of major developments can thus be singled out as characterizing the first nine months of 1956. These are:

- (1) A very large advance in fixed capital investment expenditures by business for plant, machinery and equipment.
- (2) A sharp rise in imports and in the current account deficit, accompanied by a gain in exports comparable to last year's increase.
- (3) Upward pressures on prices which are now showing up in all major segments of Gross National Expenditure, but more particularly in construction and machinery and equipment items.
- (4) An increase in consumer expenditures equivalent to that of the year 1955.



- (5) A marked increase in the rate of business inventory accumulation, particularly in the first half of the year.
- (6) Gains in national and personal income of 11 and 10 per cent.

Changes from a year ago in the main components of the Gross National Expenditure are shown in the table below:

Components of Gross National Expenditure  
(seasonally adjusted at annual rates)

	9 months 1955 (\$ billion)	9 months 1956 (\$ billion)	Change (\$ billion)	Change (%)
<u>Business Investment</u>				
New Non-residential construction.....	1.7	2.4	+ 0.6	36.4 %
New Machinery and Equipment.....	1.9	2.6	+ 0.6	32.8 %
Inventories.....	.4	.9	+ 0.5	N.A.
(Business).....	(.3)	(.8)	+(0.5)	N.A.
Sub-Total...	4.1	5.8	+ 1.7	42.2 %
<u>Other Purchases</u>				
Consumer Expenditures.....	16.8	18.0	+ 1.2	7.4 %
Government Expenditures.....	4.7	5.1	+ 0.4	8.1 %
New Residential Construction.....	1.4	1.5	+ 0.1	5.8 %
Exports.....	5.7	6.3	+ 0.6	10.7 %
Sub-Total...	28.6	31.0	+ 2.3	8.1 %
<u>Total Final Purchases plus</u>				
<u>Inventory Investment.....</u>	32.7	36.8	+ 4.0	12.4 %
Less Imports	- 6.3	- 7.5	- 1.2	19.8 %
<u>Gross National Expenditure</u>	26.5	29.3	+ 2.8	10.6 %

Note: Figures will not add by + .1 or - .1 due to rounding.

The strength in end-product demand in the first nine months of 1956 has given rise to sharp increases in the volume of output of the main industrial groups. Manufacturing output has risen by more than 6 per cent in the nine months, with an advance in durable goods production of 8 per cent and non-durable goods production of 5 per cent. Within the durable goods group, production of iron and steel products has shown the sharpest gain, rising by 17 per cent; production in the non-metallic minerals group is up by 14 per cent in the nine months, electrical apparatus and supplies by 9 per cent, chemical products by 4 per cent, and non-ferrous metal products by 3 per cent. The gains in output of hard goods and industrial equipment items are related to the needs of the capital investment program, the strong export market for basic metals and their

products, and higher levels of consumer purchases of durable goods. In the non-durable manufacturing group, gains were also widespread, with increases of 7 per cent or more in rubber, leather, clothing and paper products, printing and publishing, and petroleum and coal.

Outside the manufacturing field, output in mining, quarrying and oil wells rose by 14 per cent in the nine months, reflecting large gains in the production of petroleum, iron ore, copper and other minerals. Exports of these products have risen sharply in 1956. Related indicators suggest that output in the construction industry was higher by about 12 per cent, transportation, storage and communication, by about 15 per cent, and public utilities by about 7 per cent. The primary goods industries of agriculture, forestry, fishing and trapping, and the service producing industries of trade, finance, insurance and real estate have all shown marked gains in output in the nine months' comparison.

These gains in production in the first nine months of 1956 were accompanied by an increase of 5 per cent in the number of persons with jobs in the non-agricultural sector of the economy. Persons with jobs in the construction industry rose by 12 per cent. The very pronounced increase in the number of persons with jobs in the non-agricultural sector of the economy was made possible by a decline in unemployment, further transfers of persons from agricultural to non-agricultural employment, and by the entry into the labour market of members of the population not recently in the labour force. Persons without jobs and seeking work in the first nine months of this year were about 25 per cent below the same period of a year ago, and averaged 3 per cent of the total labour force.

Prices in the nine months have shown increases over a year ago in almost all categories of the Gross National Expenditure. Prices of machinery and equipment items have averaged about 7 per cent higher, while the price factor in new non-residential construction has averaged 8 per cent higher. Residential construction prices are up by about 4 per cent over a year ago. Both exports and imports of goods and services have risen in price by 3 or 4 per cent. The price factor in consumer expenditure has risen by about 1 per cent in the nine months' comparison, but it should be noted that consumer prices have been rising more sharply since mid-year; between May and November the increase in the consumer price index was more than 3 per cent, mainly attributable to a rise in food prices, which had previously been declining.

#### Gross Domestic Investment (excluding inventories)

Business investment in plant, machinery and equipment, seasonally adjusted, continued to advance in the third quarter, to an annual rate of \$5.3 billion. This represented a gain of 10 per cent in non-residential construction and 6 per cent in outlays for machinery and equipment. These latest gains have brought the average rate of plant and equipment outlays in the first nine months of this year to a point about 30 per cent above the 1955 annual average. It may be noted that the revised mid-year survey of investment intentions indicated a proposed increase of about 40 per cent in business investment outlays in these categories, with the gains concentrated in commodity producing, fuel, and power industries. The figures available to date suggest that there may be some short-fall in the investment program in 1956, with a part of the scheduled investment carried over into 1957. Prices of construction and machinery and equipment items have been increasing for some time, and volume increases over 1955 have therefore been less than the value changes shown in the National Accounts. In the first nine months of 1956, the price factor in non-residential construction



and machinery and equipment has averaged about 7 or 8 per cent above a year ago.

The large advance in the rate of non-residential construction in 1956, amounting to 33 per cent over last year's annual average, has been accompanied by sharp gains in employment in buildings and structures (up 16 per cent), and in average hourly earnings in the construction trades (up 8 per cent). Average hours worked per week are also appreciably higher.

Outlays for new machinery and equipment in the first nine months of 1956 have averaged 28 per cent above the 1955 annual figure. Imports of machinery and equipment have continued to supply a major part of the program, and it is estimated that in the first nine months of this year imports of machinery and equipment were more than 30 per cent higher than in the same period one year ago. Domestic shipments of machinery and equipment have risen by 20 per cent.

Residential construction outlays, seasonally adjusted, declined by 8 per cent between the second and third quarters of 1956, reflecting a drop in both housing starts and completions. Housing starts have declined steadily since the third quarter of 1955 and the rate of completions has now begun to fall off. In the first nine months of this year, the value of housing put in place has been about 6 per cent higher than in the comparable period one year ago; however, it is apparent that a further decline can be expected in the fourth quarter of this year, so that the increase for 1956 as a whole will likely be somewhat lower than the figure indicated. It may be recalled that in 1955, outlays for new housing rose by 27 per cent and provided one of the major expansionary elements on the demand side. Competing demands on the available supply of credit for business investment and shortages of serviced land in some municipalities in 1956 have been a factor in the current decline in housing starts and completions.

In the first nine months of 1956, the price factor in residential construction averaged about 4 per cent higher than a year ago.

### Investment in Business Inventories

The rate of business inventory accumulation slackened further in the third quarter and was at a seasonally adjusted annual rate of \$0.3 billion. This compares with a rate of accumulation of \$1.3 billion in the first quarter of this year, and \$0.8 billion in the second quarter.

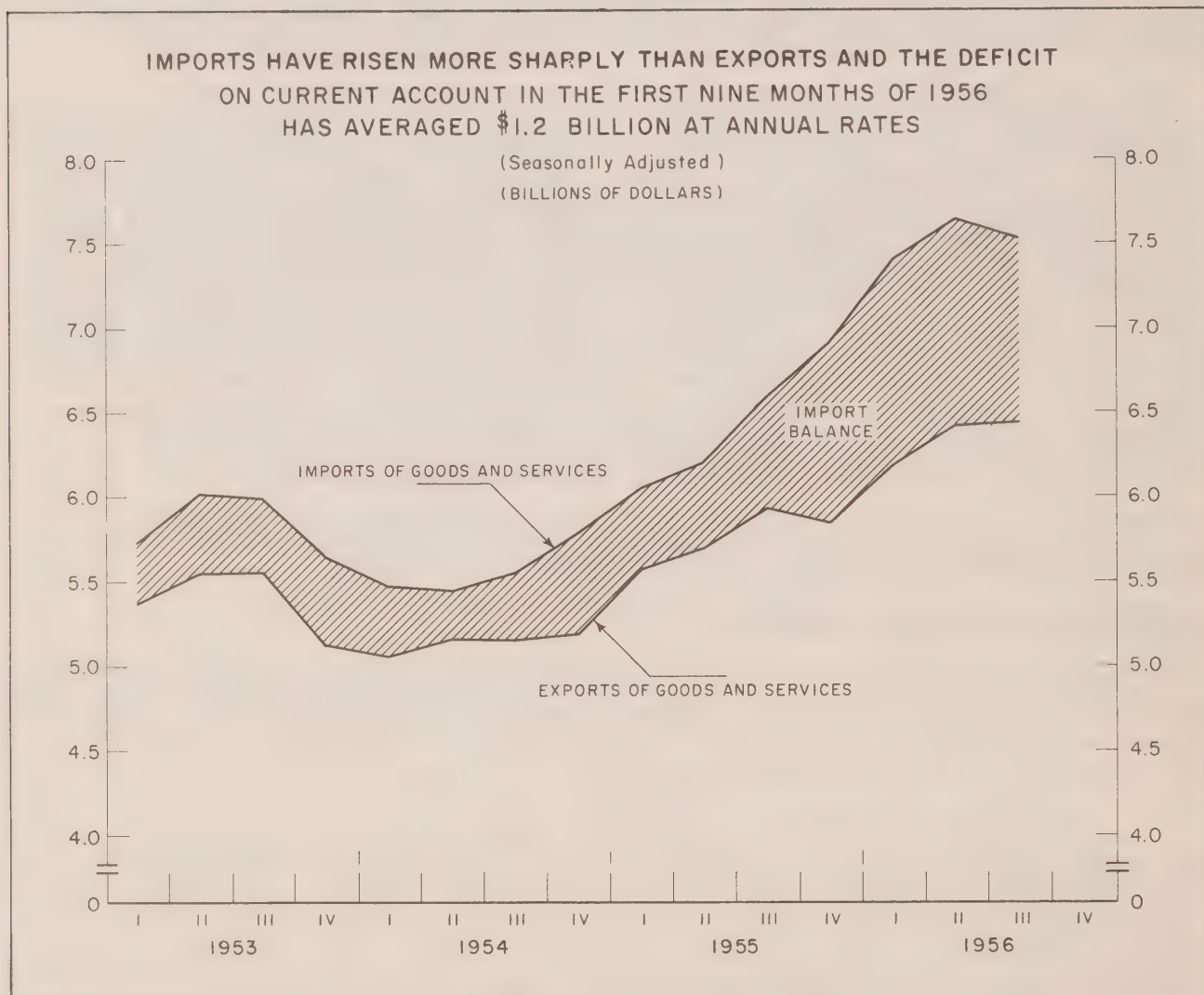
The moderate build-up in business inventory holdings in the third quarter took place chiefly at the manufacturing level, with smaller accumulations fairly widespread among wholesale trade, forestry, mining and other industries. Only at the retail level did there appear to be some liquidation of stocks (after seasonal adjustment). This was accounted for largely by the reduction of motor vehicle stocks following relatively strong sales and reduced shipments from the factory in the third quarter. Within the manufacturing group, inventories were higher particularly in the iron and steel industry, petroleum products and certain of the food manufactures, with smaller increases in many of the other industries.

The lower overall rate of inventory accumulation in the third quarter reflected a continuing high level of final demand, at a time when domestic production was advancing somewhat less rapidly than in the immediately preceding quarters and commodity imports were showing some declines. The strength of final demand was broadly based among consumer items, exports and investment in non-residential construction and machinery and equipment.



In the first nine months of 1956, business inventory investment has averaged about \$775 million (at seasonally adjusted annual rates), compared with an average of only about \$250 million in the same period of 1955. At the same time, the Gross National Product has increased by \$2.8 billion between these two periods (averaged at annual rates). The stepped up rate of inventory accumulation in 1956 has thus accounted for about 18 per cent of the gain in Gross National Product since a year ago.

The price element in the value of current inventory investment appears more pronounced than in any of the past four years, accounting for nearly one-half of the overall accumulation in the first nine months.



### Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, showed little change from the second to the third quarter of 1956; imports of goods and services declined fractionally. As a consequence, the deficit on current account in the third quarter showed a small reduction, though it remained at a seasonally adjusted annual rate in excess of \$1 billion. Since the beginning of the year, export prices of goods have risen by about 2 per cent, while import prices have remained relatively unchanged.

The stability of exports between the second and third quarters reflected offsetting movements in the main commodity and service groups. The decline in imports of goods and services was chiefly related to a drop in imports of iron and its products (after adjustment for seasonality), reflecting the effects of the United States steel strike in July. The service component of imports advanced in the third quarter, mainly due to substantially increased interest and dividend payments abroad.

During the first nine months of 1956, demands for Canadian exports rose by 11 per cent compared with one year ago, reflecting new capacity in resource development industries, with the continuing high level of economic activity in the United States and overseas countries. Most commodity exports showed increases in the nine months' comparison. Agricultural exports accounted for one-third of the total increase in commodities, associated with the sharp upturn in the sale of wheat, which advanced about 50 per cent. Iron and its products, petroleum, uranium and other metals and minerals also increased significantly. While the wood and wood products group showed little change, there was some reduction in the export of lumber. Export of services rose in the nine months' comparison, with increases in receipts from shipping and freight accounting for more than half the increase.

The sharp expansion in industrial activity in Canada in 1956, the heavy demands of the capital investment program, and the continued growth of consumer expenditures, have been accompanied by a sharp rise in imports of goods and services, amounting to 20 per cent. The heaviest increase occurred in imports of iron and its products, which accounted for nearly half of the increase in commodity imports in the first three quarters of the year. Other commodity groups also showed marked increases, notably non-metallic minerals and non-ferrous metals. The service portion of imports advanced in the first nine months of 1956, related to higher payments for shipping, freight, and to increased tourist expenditures abroad.

These changes in current account transactions in 1956 were accompanied by an approximate doubling of the current account deficit in the first nine months of the year; the deficit has averaged \$1.2 billion at seasonally adjusted annual rates, compared with \$0.6 billion a year ago. The greater portion of the increase in the deficit on current account resulted from an increase in the deficit with the United States, while the remainder was made up of a reduction in the surplus with United Kingdom and other overseas countries.

In the first nine months of 1956, there were some shifts in the demands for Canadian exports. Notable increases in export of wheat to Western and Central Europe took place, while increases in other exports to West Germany and Japan may also be noted. These increases in exports have been insufficient to offset increased imports from these countries. While the United States and United Kingdom continued to be the major sources of supply for the wide variety of imports, significantly more imports also came in 1956 from such countries as West Germany, Belgium, Luxembourg, Mexico and Japan.

#### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 2 per cent in the third quarter, to a rate of \$18.4 billion. Non-durable goods purchases and outlays for services moved up at about the same rate as the rise in total consumer expenditure, but durable goods purchases advanced by less



than 1 per cent. It may be noted that sales of passenger automobiles, seasonally adjusted, showed little change in the third quarter, following the sharp upturn (30 per cent) which occurred in the second quarter. Outlays for other types of durable goods including home furnishings and appliances and radios showed moderate gains in the third quarter.

In the first nine months of 1956, personal expenditure on consumer goods and services has risen by 7 per cent compared with a year ago. This increase is equivalent to that which occurred in the year 1955 when consumer expenditures were providing the major expansionary factor in the economy, and reflects the continued sharp advance of personal income in the current year. In "real" terms, personal income per capita has made one of the sharpest advances of any year in the post-war period.

Purchases of non-durable goods have risen by 7 per cent in the nine months' comparison. The gains are widespread, with major advances in the food and clothing groups, household supplies, and purchases related to motor vehicle transportation. Consumer outlays for durable goods show a gain of 10 per cent from a year ago, with purchases of new passenger cars up by 11 per cent. Other major gains in the durable group have occurred in sales of furniture, house furnishings, and appliances and radios; sales of television sets, however, declined relative to a year ago.

The gain in the service component of consumer expenditure has been widely spread, with an important portion attributable to increases in household rents.

In the nine months' comparison, total consumer prices have risen by about 1 per cent, so that the volume gain has been of the order of 6 per cent. A substantial increase in the volume of per capita consumption is thus indicated for 1956. The major price increase has been in the service component, where an advance of 3 per cent has taken place from a year ago; the volume gain in services is about 4 per cent. Prices of durable and non-durable goods in the nine months' comparison have shown little change, so that value and volume increases are quite similar. As has been noted previously, prices of consumer goods have shown more marked increases since mid-year.

#### National and Personal Income

The gains in output and in final expenditures in the first nine months of 1956 have been accompanied by important advances in both personal and business incomes.

Wages and salaries, seasonally adjusted, rose by a further 3 per cent in the third quarter, following the sharp advance of 5 per cent in the second quarter. The most recent increase reflected continued gains in employment and a rise in average hourly earnings. Taking the first nine months of 1956 together, labour income has shown an increase of 11 per cent compared with a year ago, of which about 7 per cent is due to higher employment and the balance to an increase in average hourly earnings. All industrial groups show gains of between 10 and 12 per cent, with the exception of construction, where an increase of about 20 per cent occurred associated with the large investment program undertaken this year. With average consumer prices slightly higher in 1956, these increases in labour income over the previous year represent a further substantial advance in "real" earnings.



# LABOUR INCOME AND CORPORATION PROFITS SHOWED PRONOUNCED GAINS FROM THE 1955 LEVELS

(At Seasonally Adjusted Annual Rates)

(BILLIONS OF DOLLARS)



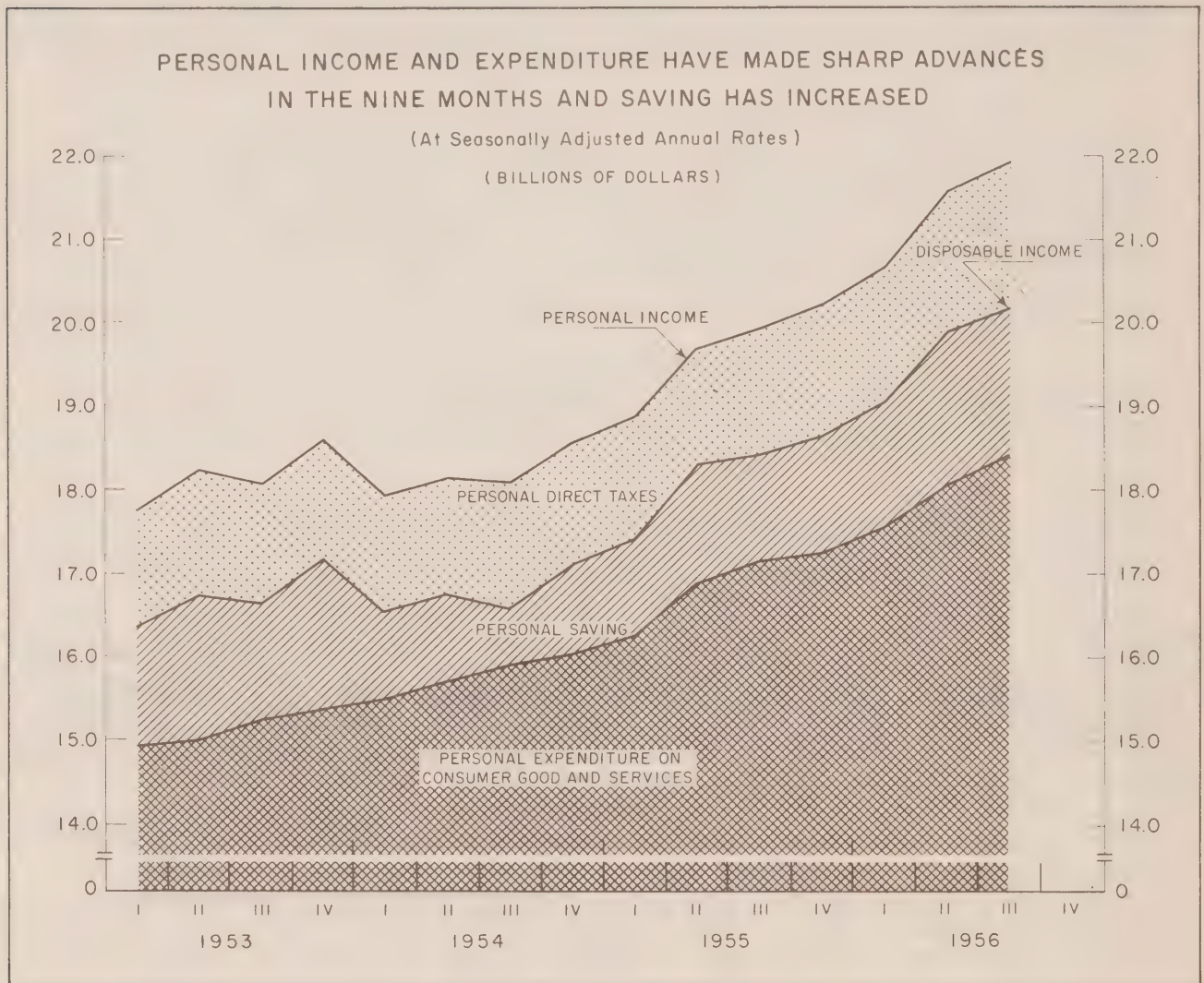
Investment income has continued to expand in 1956, with corporation profits, interest, and net rents all showing further gains over the previous year. It may be noted that the rate of increase in corporation profits has slackened substantially from the very sharp quarter to quarter gains of early 1955. From the first to the third quarter of this year, the increase in corporation profits, seasonally adjusted, amounted to about 8 per cent, compared with an increase of about 25 per cent in the comparable period of 1955. In the nine months of the current year, the level of corporation profits has been at an average annual rate of about \$3.2 billion, or 16 per cent above the same period of a year ago. Almost all industrial groups have shared in this advance, with increases of 20 to 30 per cent occurring in iron and steel manufacturing, wholesale trade, transportation, and mining.

Investment income as a whole showed a small drop between the second and third quarters of this year, after allowing for seasonal variation. Profits rose by about 3 per cent in the quarter, but at the same time, a more than seasonal increase occurred in dividends paid abroad; the latter are deducted from Canadian income since they represent earnings of non-residents.

Accrued net income of farm operators has been at an annual rate of \$1.6 billion in the first nine months of 1956, compared with \$1.4 billion in 1955, a gain of 14 per cent. This increase is largely attributable to the higher level of crop production in 1956, which is estimated to have been about

\$150 million above a year ago. Farm cash income in the first nine months of 1956 has averaged about 11 per cent above last year, with the bulk of this increase accounted for by income from sales of grain, which are up by 35 per cent. As has been noted, exports of grain rose sharply this year, with exports of wheat about 50 per cent higher than in the first nine months of 1955.

The increase in net income of non-farm unincorporated business in the first nine months of this year amounted to 7 per cent, a smaller advance than that indicated for the other main components of the National Income.



With earnings higher in all segments of the economy in 1956, personal income has risen by about 10 per cent over a year ago, and disposable income (personal income after taxes) by about 9 per cent. This rise in income has not been fully absorbed by the increase in consumer expenditure (up 7 per cent), so that the rate of personal saving in 1956 has been appreciably higher than last year, averaging \$1.7 billion at annual rates, compared with \$1.3 billion in the full year 1955. As a proportion of disposable income, personal saving has amounted to 9 per cent in 1956 compared with about 7 per cent in 1955.





TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,720
2. Military Pay and Allowances.....	93	100	101	100	394	93	106	113
3. Investment Income.....	878	1,137	1,244	1,096	4,355	1,090	1,305	1,308
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	-7	197	1,059	155	1,404	-6	130	1,305
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup>	341	455	474	505	1,775	370	485	507
6. NET NATIONAL INCOME AT FACTOR COST.....	4,274	5,039	6,193	5,232	20,738	4,808	5,536	6,953
7. Indirect Taxes less Subsidies.....	751	793	822	843	3,209	843	895	902
8. Depreciation Allowances and Similar Business Costs	662	713	725	765	2,865	729	788	813
9. Residual Error of Estimate.....	6	-33	-21	5	-43	-8	-124	-59
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,095	8,609
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	5,700	6,315	6,660	6,690	25,365	6,378	6,965	7,304

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.
2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,550	4,453
2. Government Expenditure on Goods and Services <sup>1,4</sup>	1,242	948	1,271	1,277	4,738	1,303	1,025	1,402
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction <sup>5</sup> .....	254	374	427	421	1,476	281	423	419
4. New Non-Residential Construction.....	327	419	534	495	1,775	426	578	764
5. New Machinery and Equipment <sup>6</sup> .....	417	568	525	507	2,017	566	759	677
6. Change in Inventories.....	-133	74	884	-317	508	93	78	1,035
7. (Business Inventories only) <sup>3</sup> .....	(152)	(87)	(71)	(7)	(317)	(367)	(264)	(79)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753	1,344	1,625	1,716
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430	-1,682	-2,067	-1,916
10. Residual Error of Estimate.....	-6	34	21	-5	44	8	124	59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,693	6,512	7,719	6,845	26,769	6,372	7,095	8,609

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.
3. Excluding grain in commercial channels and change in farm inventories.
4. Includes defence expenditures of:

1955					1956		
I	II	III	IV	Year	I	II	III
520	390	413	433	1,756	490	394	448

5. In 1955, data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.
6. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955					1956		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries and Supplementary Labour Income..	2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,720
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-100	-103	-106	-111	-420	-110	-114	-121
3. Military Pay and Allowances.....	93	100	101	100	394	93	106	113
4. Net Income Received by Farm Operators from Farm Production .....	-28	214	1,046	150	1,382	-4	132	1,285
5. Net Income of Non-Farm Unincorporated Business...	341	455	474	505	1,775	370	485	507
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	453	491	488	528	1,960	487	550	522
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	537	415	390	383	1,725	527	411	401
8. Charitable Contributions by Corporations.....	6	8	9	8	31	7	10	10
9. Net Bad Debt Losses of Corporations.....	6	6	7	7	26	6	6	7
10. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,096	6,444

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
(millions of dollars)

	1955					1956		
	I	II	III	IV	Year	I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	310	336	322	328	1,296	329	389	381
2. Succession Duties.....	24	22	37	37	120	36	45	27
3. Miscellaneous.....	25	18	9	15	67	32	18	12
4. Total Personal Direct Taxes.....	359	376	368	380	1,483	397	452	420
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	2,019	2,343	2,327	2,780	9,469	2,175	2,469	2,504
6. Durable Goods.....	385	537	478	501	1,901	428	597	511
7. Services <sup>1</sup> .....	1,356	1,390	1,337	1,435	5,518	1,430	1,484	1,438
8. Total Personal Expenditure on Consumer Goods and Services.....	3,760	4,270	4,142	4,716	16,888	4,033	4,550	4,453
Personal Saving:								
9. Personal Saving Excluding Farm Inventory Change	385	99	449	168	1,101	444	272	642
10. Farm Inventory Change.....	-227	-9	765	-318	211	-237	-178	929
11. Total Personal Saving.....	158	90	1,214	-150	1,312	207	94	1,571
12. PERSONAL INCOME.....	4,277	4,736	5,724	4,946	19,683	4,637	5,096	6,444
13. (Personal Disposable Income) <sup>2</sup> .....	(3,918)	(4,360)	(5,356)	(4,566)	(18,200)	(4,240)	(4,644)	(6,024)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Wages, Salaries and Supplementary Labour Income..	12,240	12,728	13,064	13,208	12,810	13,444	14,188	14,644
2. Military Pay and Allowances.....	372	400	404	400	394	372	424	452
3. Investment Income.....	3,816	4,404	4,564	4,636	4,355	4,744	4,916	4,796
Net Income of Unincorporated Business:								
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .....	1,328	1,476	1,396	1,416	1,404	1,572	1,608	1,588
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,712	1,744	1,816	1,828	1,775	1,892	1,856	1,892
6. NET NATIONAL INCOME AT FACTOR COST.....	19,468	20,752	21,244	21,488	20,738	22,024	22,992	23,372
7. Indirect Taxes less Subsidies.....	3,100	3,204	3,232	3,300	3,209	3,460	3,576	3,548
8. Depreciation Allowances and Similar Business Costs	2,776	2,828	2,912	2,944	2,865	3,052	3,124	3,264
9. Residual Error of Estimate.....	144	-156	-68	-92	-43	96	-216	-200
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,632	29,476	29,984
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	24,160	25,152	25,924	26,224	25,365	27,060	27,868	28,396

1. Includes an arbitrary smoothing of crop production, standard seasonal adjustments for livestock items, and a seasonal adjustment for earnings of the Canadian Wheat Board. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	16,264	16,880	17,152	17,256	16,888	17,560	18,048	18,424
2. Government Expenditure on Goods and Services <sup>1</sup> ...	4,572	4,768	4,780	4,832	4,738	4,920	5,096	5,244
Gross Domestic Investment: <sup>2</sup>								
3. New Residential Construction <sup>4</sup> .....	1,340	1,448	1,532	1,584	1,476	1,472	1,612	1,484
4. New Non-Residential Construction.....	1,676	1,716	1,812	1,896	1,775	2,148	2,360	2,592
5. New Machinery and Equipment <sup>5</sup> .....	1,748	1,940	2,132	2,248	2,017	2,380	2,600	2,748
6. Change in Inventories.....	512	216	508	796	508	1,464	764	380
7. (Business Inventories only) <sup>3</sup> .....	(480)	(-24)	(300)	(512)	(317)	(1,272)	(764)	(292)
8. Exports of Goods and Services.....	5,568	5,688	5,924	5,832	5,753	6,176	6,412	6,432
9. Deduct: Imports of Goods and Services.....	-6,048	-6,184	-6,588	-6,900	-6,430	-7,392	-7,632	-7,520
10. Residual Error of Estimate.....	-144	156	68	96	44	-96	216	200
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,488	26,628	27,320	27,640	26,769	28,632	29,476	29,984

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

4. In 1955 data were based on a redesigned and enlarged sample and some discontinuity with previous years may exist.

5. The 1955 total has been revised upward from that shown in "Public and Private Investment in Canada, Outlook 1956" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.



TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955					1956		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries and Supplementary Labour Income..	12,240	12,728	13,064	13,208	12,810	13,444	14,188	14,644
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-408	-416	-424	-432	-420	-448	-460	-484
3. Military Pay and Allowances.....	372	400	404	400	394	372	424	452
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,244	1,544	1,344	1,396	1,382	1,584	1,656	1,508
5. Net Income of Non-Farm Unincorporated Business...	1,712	1,744	1,816	1,828	1,775	1,892	1,856	1,892
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,908	1,908	1,972	2,052	1,960	2,052	2,132	2,108
Transfer Payments to Persons:								
7. From Government (Excluding Interest).....	1,764	1,740	1,704	1,692	1,725	1,728	1,720	1,748
8. Charitable Contributions by Corporations.....	24	32	36	32	31	28	40	40
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26	24	24	28
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,676	21,580	21,936

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1955-1956  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1955					1956		
	I	II	III	IV	Year	I	II	III
Personal Direct Taxes:								
1. Income Taxes.....	1,304	1,232	1,320	1,328	1,296	1,388	1,432	1,560
2. Succession Duties.....	96	88	148	148	120	144	180	108
3. Miscellaneous.....	64	68	60	76	67	84	68	76
4. Total Personal Direct Taxes.....	1,464	1,388	1,528	1,552	1,483	1,616	1,680	1,744
Personal Expenditure on Consumer Goods and Services:								
5. Non-Durable Goods.....	9,168	9,532	9,576	9,600	9,469	9,916	10,040	10,284
6. Durable Goods.....	1,744	1,888	1,992	1,980	1,901	1,932	2,112	2,128
7. Services <sup>1</sup> .....	5,352	5,460	5,584	5,676	5,518	5,712	5,896	6,012
8. Total Personal Expenditure on Consumer Goods and Services.....	16,264	16,880	17,152	17,256	16,888	17,560	18,048	18,424
9. Total Personal Saving.....	1,152	1,436	1,264	1,396	1,312	1,500	1,852	1,768
10. PERSONAL INCOME.....	18,880	19,704	19,944	20,204	19,683	20,676	21,580	21,936
11. (Personal Disposable Income) <sup>2</sup> .....	(17,416)	(18,316)	(18,416)	(18,652)	(18,200)	(19,060)	(19,900)	(20,192)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949) CONSTANT DOLLARS, BY QUARTERS, 1955-1956  
UNADJUSTED FOR SEASONALITY <sup>1,2</sup>,  
(millions of dollars)

	1955				Year	1956		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services.....	3,162	3,625	3,516	3,997	14,300	3,383	3,827	3,705
2. Non-Durable Goods.....	1,827	2,117	2,094	2,506	8,544	1,969	2,223	2,222
3. Durable Goods.....	347	493	451	463	1,754	394	551	477
4. Services.....	988	1,015	971	1,028	4,002	1,020	1,053	1,006
5. Government Expenditure on Goods and Services	929	692	937	923	3,481	932	699	975
Gross Domestic Investment:								
6. New Residential Construction.....	196	287	323	316	1,122	208	311	307
7. New Non-Residential Construction.....	242	310	390	352	1,294	292	397	518
8. New Machinery and Equipment.....	343	468	426	391	1,628	433	581	513
9. Change in Inventories.....	-225	-9	1,058	-388	436	-86	-96	1,176
10. (Business Inventories only).....	(104)	(72)	(13)	(-29)	(160)	(235)	(143)	(16)
11. Exports of Goods and Services.....	1,087	1,248	1,363	1,300	4,998	1,146	1,377	1,444
12. Deduct: Imports of Goods and Services.....	-1,247	-1,441	-1,489	-1,544	-5,721	-1,443	-1,777	-1,663
13. Residual Error of Estimate.....	-5	27	17	-4	35	6	97	46
14. GROSS NATIONAL EXPENDITURE.....	4,482	5,207	6,541	5,343	21,573	4,871	5,416	7,021

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. The percentage changes noted on page 4 represent the orders of magnitude suggested by the implicit price deflators between the second quarters of 1955 and 1956. The general ranges indicated here are supported by related price information. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

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CANADA

NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
FOURTH QUARTER  
AND  
PRELIMINARY ANNUAL



*Published by Authority of*  
The Right Honourable C. D. Howe, Minister of Trade and Commerce

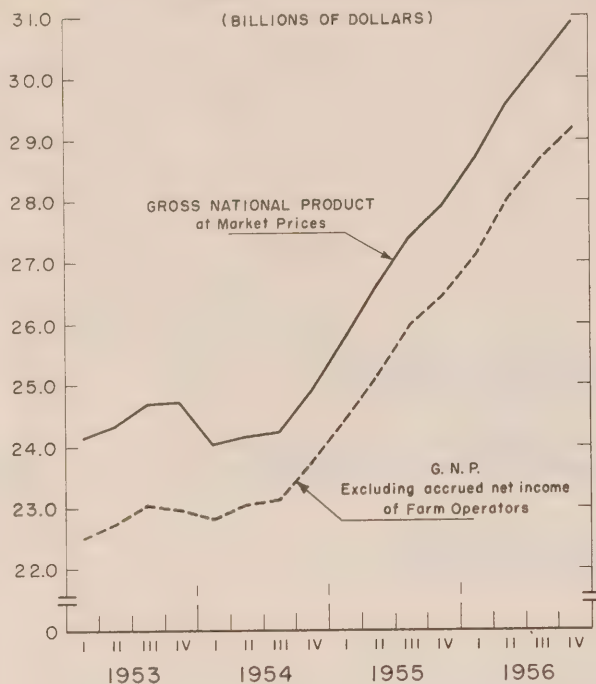
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Research and Development Division  
National Income Section

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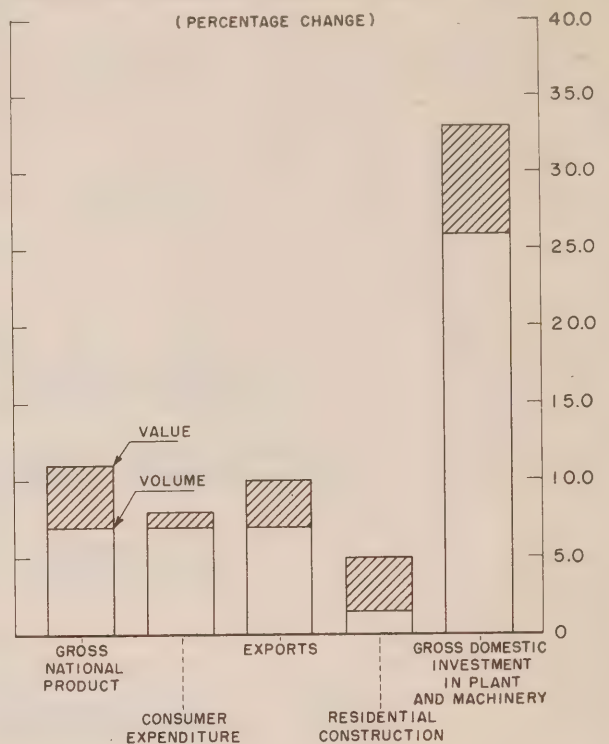
Price \$1.00 per year



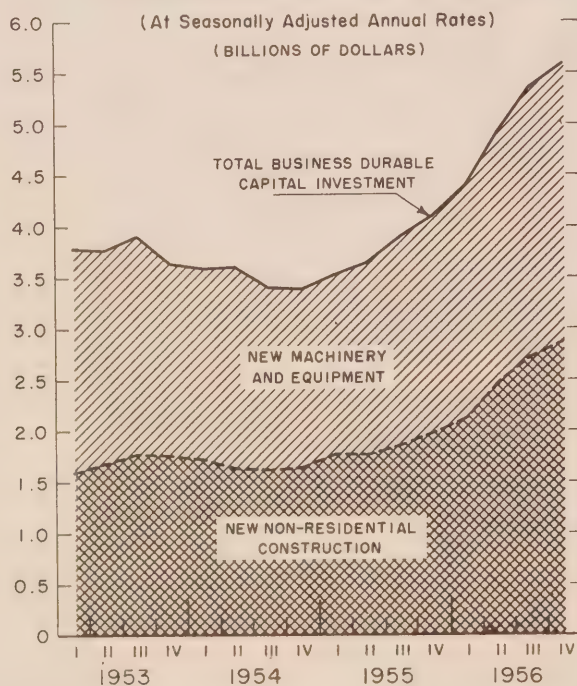
GROSS NATIONAL PRODUCT AVERAGED \$29.9 BILLION  
IN 1956, 11 PER CENT ABOVE THE PREVIOUS YEAR  
(At Seasonally Adjusted Annual Rates)



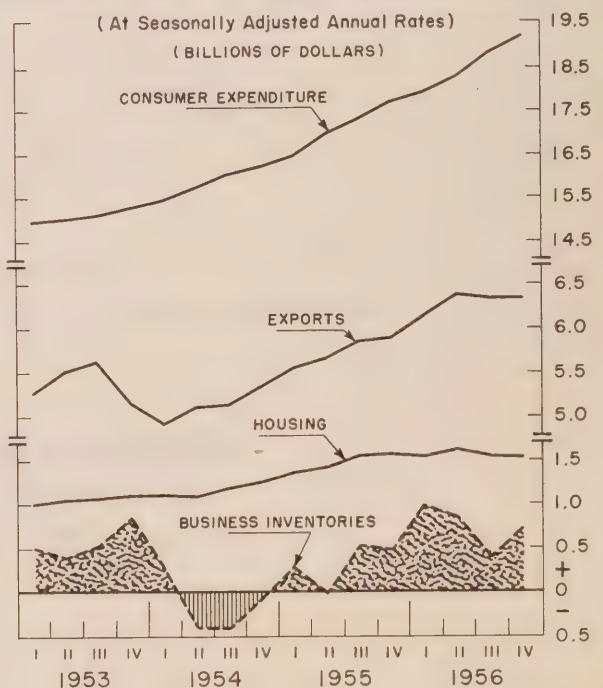
PRICE FACTORS ACCOUNTED FOR ABOUT ONE-THIRD OF THE INCREASE IN GROSS NATIONAL PRODUCT, BUT THE GAIN IN THE VOLUME OF PRODUCTION WAS 7 PER CENT



THE MAJOR EXPANSIONARY FACTOR IN THE ECONOMY IN 1956 WAS BUSINESS CAPITAL OUTLAY FOR NEW PLANT, MACHINERY AND EQUIPMENT



CONSUMER EXPENDITURE, EXPORTS AND INVENTORY INVESTMENT ALSO PROVIDED STRONG ELEMENTS OF DEMAND, BUT OUTLAYS FOR HOUSING WEAKENED



## INTRODUCTION

This report includes revised quarterly and annual data for the years 1954, 1955 and 1956.

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### Review of the Year 1956

Economic activity continued to expand rapidly in 1956, following the pronounced upswing of the year 1955. The sustained advance brought the value of all goods and services produced to a level approximately 11 per cent above the year 1955; the Gross National Product rose to \$29.9 billion, compared with \$26.9 billion in the previous year. With final product prices higher by between 3 and 4 per cent, the gain in the physical volume of output in 1956 amounted to about 7 per cent. This increase in the physical volume of production was the second largest in the post-war period, being exceeded only by the record advance of 9 per cent in 1955.

It may be recalled that in 1955 the economy was moving up from the mild 1953-1954 recession, during which time some unutilized capacity had developed as a result of the continued growth in the labour force and in productive facilities. This margin of "slack" made possible the very large increase of 9 per cent in the total volume of output in 1955. The overall level of prices showed little change. In 1956, however, the economic advance occurred in a situation of developing tightness in the supply of both manpower and materials, with the result that the gain in output, though still large, was smaller than in 1955, while upward pressures on prices were more in evidence than at any time during the past five years. Thus, the advance in the volume of output of 7 per cent in 1956 was accompanied by a rise in the overall level of prices of between 3 and 4 per cent.

The major expansionary factor behind the economic advance in 1956 was the very great increase in business capital investment outlays for new construction and machinery and equipment, which were higher by 33 per cent. While in 1955, consumer expenditures, housing and exports together provided the most important impetus on the demand side, in 1956 the emphasis shifted to business investment outlays which accounted for close to half of the rise in the nation's total spending. (With inventory investment included, the proportion is well over 50 per cent). Despite the pronounced shift toward investment spending, however, both consumer expenditures and exports showed increases in 1956 which were close to those of the year 1955 in percentage terms. Housing outlays, which rose steeply in 1955, showed only a small rise in 1956, reflecting competing demands on the available supply of credit and shortages of serviced land in some municipalities. These changes in the pattern of demand are shown in the table below.

Value Changes in Selected Components of Gross National Expenditure,  
1955 and 1956.

---

	Per Cent Change <u>1954 to 1955</u>	Per Cent Change <u>1955 to 1956</u>
Personal Expenditure.....	8	8
Government Expenditure.....	7	10
Residential Construction.....	27	5
Non-Residential Construction...	11	38
Machinery and Equipment.....	6	29
Exports.....	12	10
 Total Final Purchases (ex inventories).....	 9	 12
 Imports of Goods and Services..	 15	 20
Gross National Expenditure.....	11	11

The total supply of goods and services available to meet these various demands in 1956 was higher than in the previous year by about \$4 billion, or by more than 12 per cent. However, about one-third of this supply was met out of imports of goods and services, which rose by \$1.3 billion (20 per cent). The increase in supply coming out of Canadian production amounted to close to \$3 billion, an advance over the previous year of 11 per cent. With imports contributing such a high proportion of the total available supply of goods and services, the deficit on current international account widened appreciably, amounting to \$1.4 billion compared with \$0.7 billion in 1955. The heavy inflow of imports in 1956 reflected in part the demands of the capital investment program, with about 60 per cent of the increase over the previous year concentrated in machinery and equipment items and other iron and steel products. However, the increase in imports was also quite general throughout other commodity groups.

A summary of the changes in the supply and disposition of goods and services between the two years is given in the accompanying table.



Changes in Components of Gross National Expenditure

	<u>1955</u> (\$ billion)	<u>1956</u> (\$ billion)	<u>Change</u> (\$ billion)	<u>Change</u> ( % )
<u>Business Investment</u>				
New Non-Residential Construction.....	1.8	2.5	+ 0.7	38.0 %
New Machinery and Equipment.....	1.9	2.5	+ 0.6	29.0 %
Inventories.....	0.5	0.9	+ 0.4	N.A.
(Business).....	(0.3)	(0.7)	+(0.4)	N.A.
Sub-Total.....	4.3	6.0	+ 1.7	39.4 %
<u>Other Purchases</u>				
Consumer Expenditures.....	17.1	18.6	+ 1.4	8.3 %
Government Expenditures.....	4.7	5.2	+ 0.5	10.2 %
New Residential Construction.....	1.5	1.6	+ 0.1	5.1 %
Exports.....	5.8	6.3	+ 0.6	9.7 %
Sub-Total.....	29.1	31.6	+ 2.5	8.7 %
<u>Total Final Purchases Plus Inventory</u>				
<u>Investment (total available supply)</u>	33.4	37.6	+ 4.2	12.7 %
Less Imports....	- 6.4	- 7.7	- 1.3	19.7 %
<u>Gross National Expenditure (Canadian production)</u>				
.....	26.9	29.9	+ 3.0	11.0 %

Note: Figures will not add by +.1 or -.1 due to rounding.

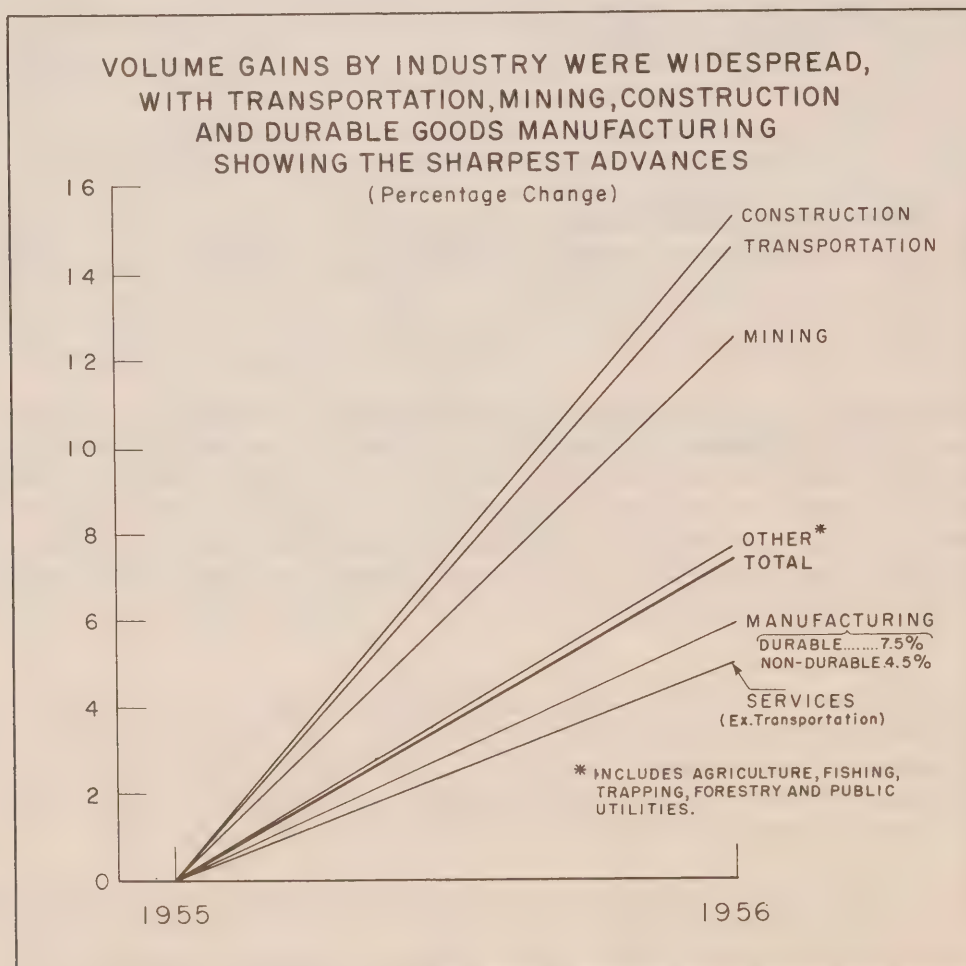
Underlying the large advance in investment spending in 1956 was the sharp increase in world demand for products of Canada's resource based industries, and the growing pressure to expand facilities in the fuel, power and transportation fields. Prominent among these developments was the addition to capacity in pulp and paper, metal mining and refining, chemicals, uranium, gas and oil, pipe-lines, and electric power, including the St. Lawrence Seaway project. The result was the largest increase in capital investment outlays in dollar terms since the end of the war.

Turning now to a review of changes in industrial activity, it is estimated that agricultural output rose by about 8 per cent in 1956, and non-agricultural production by somewhat more than 7 per cent. The figures given are in volume terms. In the agricultural sector, this production gain was largely accounted for by the higher western grain crop which was above average for the second year in succession.

In the non-agricultural sector, production gains were widespread, with transportation, mining and construction showing the most striking increases. Manufacturing output rose by about 6 per cent, with an advance in durable goods production of 8 per cent, and in non-durable goods production of 5 per cent. Within

the durable goods group, production of iron and steel products showed the sharpest gain, rising by 14 per cent; production in the non-metallic minerals group was up by 11 per cent, transportation equipment and non-ferrous metal products by 6 per cent, and electrical apparatus and supplies by 3 per cent. These gains in the output of hard goods and industrial equipment items and construction materials were related to the needs of the capital investment program, the strong export market for basic metals and their products, and higher levels of consumer purchases of durable goods. In the non-durable manufacturing group, gains were also widespread, with increases of 5 per cent or more in tobacco, rubber, leather, clothing, paper products, printing and publishing, and petroleum and coal.

Outside the manufacturing field, output in mining, quarrying and oil wells rose by 13 per cent, reflecting large gains in the production of petroleum, iron ore and copper. Exports of these products increased sharply in 1956. The other primary industries of forestry and public utilities showed gains of about 8 per cent while fishing and trapping rose more moderately. Related indicators suggest that the volume of construction activity rose 16 per cent and transportation, storage and communication services increased somewhat less than 15 per cent. Retail and wholesale sales volume was up an estimated 8 per cent while activity in the other service industries showed smaller gains compared with 1955.

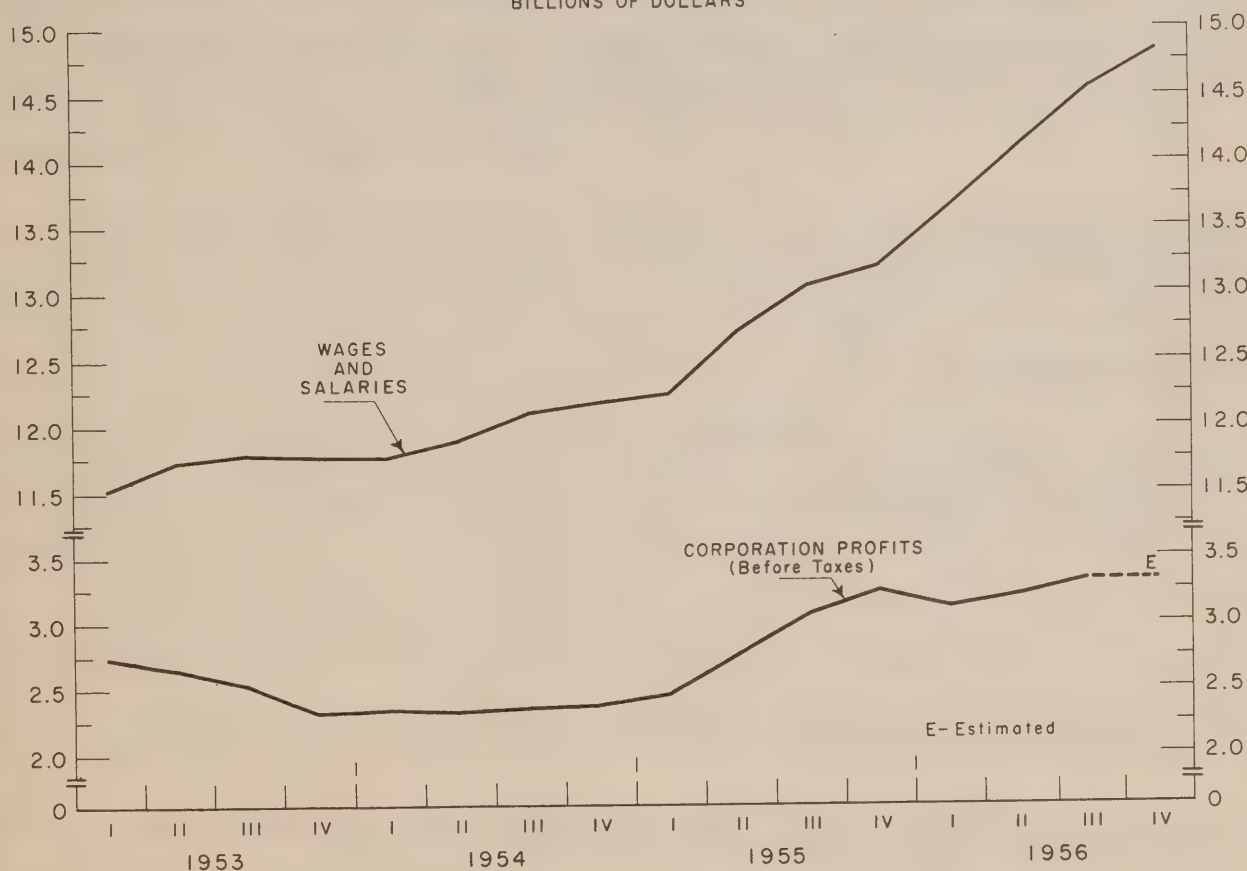


Associated with these developments on the production side in 1956, both personal and business incomes continued to expand, reflecting for the most part advances in wages and salaries and in investment income, including corporation profits. The gains in these two important income categories accounted for the greater part of the enlarged flow of income during the course of the year. Thus, wages and salaries were approximately 12 per cent above the level of the year 1955, while investment income was about 10 per cent higher, with corporation profits rising by 13 per cent. At the same time, a further increase occurred in the net income of farm operators in 1956, reflecting mainly the higher level of crop production, which was about \$175 million above the year 1955. Net increases of non-farm unincorporated business were also higher by 9 per cent. National Income as a whole reached a level approximately 11 per cent above the previous year.

### GAINS IN WAGES AND SALARIES AND IN CORPORATION PROFITS WERE THE MAJOR FACTORS IN THE RISE IN INCOME

(At Seasonally Adjusted Annual Rates)

BILLIONS OF DOLLARS





6.

The total number of persons with jobs rose by 4 per cent in 1956, or by some 200,000 persons. About half of this striking increase in employment was made possible by the natural increase in adult population together with additions to the labour force through immigration. The other half reflected a drop in unemployment and the drawing into the labour market of members of the population who had not previously sought employment. There was a further transfer of workers from agricultural to non-agricultural employment in 1956, so that persons with jobs in the non-agricultural sector of the economy rose by about 5 per cent. Persons without jobs and seeking work in 1956 were 22 per cent below the average of the preceding year, and amounted to about 3 per cent of the total labour force.

Prices in 1956 were higher than a year ago in all categories of the Gross National Expenditure. Prices of machinery and equipment items were up by almost 6 per cent, while the price factor in new non-residential construction was up by about 6 per cent. Residential construction prices were also higher by about 4 per cent over a year ago. Both exports and imports of goods and services advanced in price by about 3 per cent. The price factor in consumer expenditure increased by over 1 per cent in the year-to-year comparison, but it should be noted that consumer prices rose more sharply after mid-year; between May and December the increase in the consumer price index was more than 3 per cent, mainly attributable to a more than seasonal rise in food prices, which had previously been declining.

Value, Price and Volume Percentage Changes in Gross National Expenditure  
Components, 1955 to 1956

---

	<u>Value</u>	<u>Price</u>	<u>Volume</u>
Personal Expenditure.....	8.3	1.4	6.7
Non-Durable Goods.....	8.7	1.0	7.6
Durable Goods.....	7.4	1.2	6.1
Services.....	7.8	2.7	5.0
Government Expenditure.....	10.2	5.5	4.4
Gross Domestic Investment (ex inventories)	25.4	5.4	18.9
Residential Construction.....	5.1	3.6	1.4
Non-Residential Construction.....	38.0	5.9	30.4
Machinery and Equipment.....	29.0	6.2	21.5
Exports.....	9.7	2.7	6.8
Imports.....	19.7	3.2	16.0
Total Gross National Expenditure (after inventory re-valuation).....	10.6	3.2	7.2

To review, the major developments of the year 1956 as reflected in the National Accounts may be summarized as follows:

- (1) A gain in the physical volume of production of 7 per cent.
- (2) A very large advance in fixed capital investment expenditures by business for plant, machinery and equipment.
- (3) A weakening in outlays for housing construction during the course of the year.

- (4) A sharp rise in imports and in the current account deficit, accompanied by a gain in exports comparable to 1955's increase.
- (5) Upward pressures on prices which became evident in all major segments of Gross National Expenditure, but more particularly in construction and machinery and equipment items.
- (6) An increase in consumer expenditures equivalent to that of the year 1955.
- (7) A marked increase in the rate of business inventory accumulation, particularly in the first half of the year.
- (8) Gains in national and personal income of 11 and 10 per cent.

#### The Fourth Quarter

Gross National Product was at a seasonally adjusted annual rate of \$31.0 billion in the fourth quarter of 1956, 2 per cent above the third quarter rate and about 3 per cent above the average annual rate for the year 1956 as a whole. Price factors accounted for a significant part of the increase in the fourth quarter, and related evidence suggests that only about one-half of the value gain represented an increase in the physical volume of production. This would constitute one of the smallest increases in the volume of output since the upswing in activity began in mid-1954. These and the following comparisons are all on a seasonally adjusted basis.

On the expenditure side, the major factors in the fourth quarter increase were gains in consumer outlays for non-durable goods and services of 2 and 3 per cent respectively, a continuation of the up-trend in business capital investment outlays for non-residential construction and new machinery and equipment (up 6 per cent and 3 per cent respectively) and a substantial pickup in the rate of inventory accumulation. Apart from larger holdings of farm inventories, the inventory movement represented an upswing in the rate of accumulation of business stocks at the manufacturing, retail and wholesale trade levels. The swing in retail holdings of motor vehicles was especially pronounced in the fourth quarter, and reflected the earlier timing of the model change-over in 1956. The build-up in inventories at the manufacturing level occurred mainly in the sub-groups of iron and steel products, foods and beverages, and petroleum and chemical products. Partial offsets occurred to this build-up of stocks at the manufacturing and trade levels, with liquidations taking place in forestry, construction and some of the other industry groups. Residential construction continued to decline in the fourth quarter and government expenditures were also lower. Exports of goods and services showed little change, but imports again rose moderately, and the deficit on current account was at a rate of over \$1.5 billion.

These changes in the expenditure pattern in the fourth quarter of 1956 were accompanied by further gains in most of the major components of National Income. Wages and salaries rose by 2 per cent in the quarter, investment income by 3 per cent, and accrued net income of farm operators by about 9 per cent; the latter reflects almost entirely an increase in farm-held inventories of livestock. The gain in investment income is attributable to further increases in interest and rental income; while data are not yet available on corporation profits for the fourth quarter, the present estimates allow for little change in this item.



8.

The gain in the physical volume of output in the fourth quarter appears to have been concentrated in the construction industry, durable goods manufacturing, wholesale and retail trade, and mining, quarrying and oil wells. Declines occurred in non-durable goods manufacturing, forestry, and transportation, communication and storage.

### COMPONENTS OF GROSS NATIONAL PRODUCT

#### Wages, Salaries and Supplementary Labour Income

Labour income rose to nearly \$14.3 billion in 1956, a gain of almost 12 per cent from the 1955 level. This increase compares with a 7 per cent advance between 1954 and 1955. The gain was associated with the rise in employment in the non-agricultural sector of the economy, which amounted to more than 5 per cent, and higher average hourly earnings, which were up by almost 6 per cent. With consumer prices moderately above the 1955 average, this increase in labour income represented the sharpest advance in "real" earnings per capita in the post-war period.

All industrial groups shared in the gains between 1955 and 1956, with increases ranging from 10 to 19 per cent. Wages and salaries in construction led the advance, with a gain of 19 per cent, reflecting the large investment program undertaken during the year. Gains of between 10 and 11 per cent occurred in manufacturing, the distributive, and finance and services industries. Among the primary industries most of the components showed increases, with forestry and mining advancing 19 per cent and 14 per cent respectively.

The quarter to quarter movement of labour income was continuously upward in 1956. In the fourth quarter, labour income was running at a seasonally adjusted annual rate of \$14.8 billion, about 4 per cent above the annual average for the year 1956 as a whole.

#### Investment Income

Investment income amounted to \$4.8 billion in 1956, a gain of 10 per cent over the 1955 level. All components of investment income shared in the gains, with over four-fifths of the total increase attributable to the rise in corporation profits of 13 per cent. While fourth quarter profits data are not yet available in detail, the nine months' comparisons indicate that the largest gains in 1956 occurred in iron and steel manufacturing (29 per cent); non-ferrous metal products (27 per cent); mining (26 per cent); petroleum and coal (21 per cent); transportation, storage and communication (30 per cent); public utilities (19 per cent); and wholesale trade (31 per cent).

It may be noted that the rate of increase of corporation profits in 1956 was substantially less than the quarter to quarter gains of early 1955. From the first to third quarters of 1956, corporation profits rose by only 2 per cent compared with 20 per cent in the same period of 1955.

Interest, dividends and net rental income received by persons rose by 7 per cent in 1956, reflecting a gain of 14 per cent in dividend payments and increases in interest receipts of individuals from mortgages, bonds, bank deposits, and on savings in life insurance. Government investment income rose by 11 per cent, associated with increased trading profits of government business enterprises and higher interest revenues.



## Net Income of Unincorporated Business

### (a) Accrued Net Income of Farm Operators from Farm Production

Accrued net income of farm operators from farm production in 1956 amounted to \$1.6 billion, a rise of \$200 million or 15 per cent above the year 1955. The gain reflects mainly the higher level of crop production in 1956 which is estimated at \$175 million above the preceding year.

Preliminary estimates of farm cash income in 1956 indicate a gain of almost 13 per cent over the 1955 figure. Increased returns from sale of grains, cattle, hogs, poultry, eggs, and larger participation payments from the Canadian Wheat Board were mainly responsible for the increase.

Holdings of farm inventories of grain and livestock were higher in 1956 than in 1955, but the build-up was not as large as in the earlier year, reflecting the heavier marketings of 1956. The following table shows the consolidated operating account of farm operators for the years 1955 and 1956.

	1955	1956	Change 1956 over 1955
	(millions of dollars)		
Farm Cash Income.....	2,352	2,656	304
Income in Kind.....	405	406	1
Farm Inventory Change.....	211	169	- 42
Gross Income.....	2,968	3,231	263
Deduct:			
Farm Operating Expenses.....	1,298	1,349	51
Depreciation.....	249	252	3
Add:			
Adjustment on Grain Transactions.....	22	20	- 2
Other Adjustments.....	- 39	- 42	- 3
Accrued Net Income of Farm Operators from Farm Production.....	1,404	1,608	204

### (b) Net Income of Non-Farm Unincorporated Business

Net income of non-farm unincorporated business rose to \$1.9 billion in 1956, a gain of 9 per cent over the previous year. All industrial groups shared in the increase, but the major gains were concentrated in construction, retail trade, and the service groups; these accounted for four-fifths of the total increase.

## Indirect Taxes less Subsidies

Indirect taxes less subsidies amounted to \$3.6 billion in 1956, an increase of 11 per cent over 1955. At the federal level the increase also amounted to 11 per cent, reflecting for the most part gains in customs import duties and in federal excise duties and excise taxes. The 21 per cent rise in import duties reflected the continued climb in imports, while higher excise duties and excise taxes, both up 10 per cent over 1955, reflected a marked increase in shipments of

10.

commodities subject to these types of taxes. Substantially higher subsidies were mainly due to payments made to cover carrying costs of temporary wheat reserves. Provincial indirect taxes were higher by 14 per cent in 1956, with the main contributing factors being increased revenues from gasoline taxes, motor vehicle licenses, and public domain revenue. The increase of 9 per cent in municipal indirect taxes was largely ascribable to higher real and personal property taxes, reflecting the continued high investment in residential and non-residential construction.

#### Depreciation Allowances and Similar Business Costs

Depreciation allowances and similar business costs increased by 9 per cent in 1956 to reach a total of \$3.2 billion. The major part of the increase can be attributed to higher corporation capital cost allowances, mining development write-offs and depreciation on residential real estate.

### COMPONENTS OF GROSS NATIONAL EXPENDITURE

#### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services rose by 8 per cent in 1956 to a record \$18.6 billion. The increase was associated with a 10 per cent rise in personal income. Non-durable goods purchases rose by 9 per cent, while outlays for durables and services were up by 7 per cent and 8 per cent respectively. Non-durable goods purchases accounted for about two-thirds of the total increase in 1956. Gains were widespread, with major advances in the food and clothing groups, household supplies, and purchases related to motor vehicle transportation.

In the durable goods group, home furnishings, furniture and new passenger cars were each higher by about 8 per cent. Sales of most major appliances and radios also increased in 1956, but sales of television sets declined.

The gain in the service component of personal expenditure in 1956 was widely spread, with an important portion attributable to increases in household rents and purchased transportation.

Consumer prices in 1956 were about 1 per cent higher than 1955, so that the volume gain in personal expenditure was about 7 per cent. The increase in the volume of per capita consumption was about 4 per cent. As in the previous year, the major price increase was in the service component, with prices of durable and non-durable goods up only about 1 per cent. As has been noted previously, however, prices of consumer goods were showing more marked increases after mid-year.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services by all levels of government (federal, provincial and municipal) amounted to \$5.2 billion in 1956, an increase of 10 per cent over 1955. Increased capital investment notably at the provincial level, together with higher wage and salary payments were the main contributing factors. Defence expenditures showed little change at \$1.8 billion.

#### Gross Domestic Investment (excluding inventories)

The dominant factor in the nation's spending in 1956 was the enormous increase in business capital investment outlays for plant, machinery and equipment,



which rose from \$3.3 billion in 1955 to \$5.1 billion in 1956, a gain of 33 per cent in value terms. With the exception of the year 1947, this was by far the largest year-to-year percentage increase in business investment outlays in the post-war period. After allowing for price increases in investment-type goods, the advance in the physical volume of plant and equipment put in place was 26 per cent. These gains were concentrated heavily in projects associated with resource development, fuel and energy requirements, and the processing of primary commodities. Thus, investment in mining, quarrying and oil wells was 60 per cent above the year 1955. Investment in electric power and gas was up 49 per cent. Investment in transportation, communication and storage was up 32 per cent. In manufacturing, the major gains were in paper products, iron and steel products, chemicals, non-ferrous metal products, and non-metallic mineral products. The advances in these areas brought the overall increase in investment in manufacturing as a whole to a level about 42 per cent above the year 1955. As a percentage of Gross National Product, business fixed capital outlays (excluding housing) amounted to 17 per cent in 1956, compared with 14 per cent in 1954 and 1955.

Despite this very large volume of investment put in place in 1956, the program fell somewhat short of the intentions expressed in the mid-year investment survey published by the Department of Trade and Commerce. A considerable carry-over of unfinished projects is being carried into 1957. The outlook for 1957 is for an increase in value terms of 21 per cent in private investment in non-residential construction and 13 per cent in investment in new machinery and equipment.

The investment in new non-residential construction rose by 38 per cent in 1956 to an average annual rate of \$2.5 billion. This large increase was accompanied by sharp gains in employment in buildings and structures (up 18 per cent), and in average hourly earnings in the construction trades (up between 8 and 9 per cent). Average hours worked per week were higher by 4 per cent. The price factor in new non-residential construction rose by 6 per cent in 1956, so that the gain in physical volume was somewhat less than the value figures indicate.

Outlays for new machinery and equipment in 1956 were higher by 29 per cent than in the previous year. Domestic shipments of machinery and equipment rose by 21 per cent. Imports of machinery and equipment supplied a major part of the program, and non-agricultural machinery and equipment imports rose by 43 per cent. It may be noted that two-thirds of the increase in commodity imports in 1956 was concentrated in iron and steel products, much of which represented engineering and structural materials associated with the investment program. The price factor in machinery and equipment rose by 6 per cent in 1956. In physical volume terms, machinery and equipment put in place was about 22 per cent above the preceding year.

Investment in residential construction in 1956 rose by 5 per cent, to an average annual rate of \$1.6 billion. However, the price factor in residential building was nearly 4 per cent above the previous year, so that in volume terms the advance was relatively slight. While 127,000 housing units were started in 1956, the rate of starts was falling during the year and had reached 115,000 units by the last quarter of the year, on a seasonally adjusted basis. The very high rate of starts in the latter part of 1955 contributed to the record 136,000 completions in 1956. The estimate for investment in housing in 1957 assumes that starts will remain at the seasonally adjusted rate of the fourth quarter of 1956, and that about 110,000 units may be completed, which would involve a 22 per cent reduction in volume. The anticipated decline in housing is related to the higher cost and more



limited availability of mortgage funds, and to the shortage of serviced land in some localities.

### Investment in Inventories

A marked building-up of inventories occurred in 1956, amounting in total to about \$950 million. This was the largest accumulation since 1951, occurring at a time when a number of factors were emerging which had been absent in the intervening years. The substantial build-up of raw material inventories at the manufacturing level, especially in hard goods and construction and equipment items was associated with the requirements of the heavy capital investment program which was the largest since the end of the war. This development was accompanied by continuing higher levels of personal expenditures and a strong export market which necessitated a building-up of working stocks in industries catering to these areas of demand. At the same time, the possibility of dislocation in the supply of basic materials arising out of pending industrial negotiations may have been a factor in the build-up in the early part of the year. Finally, inventory developments in 1956 were undoubtedly influenced by the fairly general increases in prices which were in evidence late in 1955, and which, in the light of the factors noted above, might be expected to continue into 1956.

Nearly 80 per cent (\$740 million) of the total inventory build-up in 1956 took place in business holdings of inventories (apart from farm stocks and commercially held grain in storage), and about two-thirds of this occurred in the first half of the year. The increase in business holdings was quite diversified. More than \$200 million of the investment was in the form of raw materials held by manufacturers. However, manufacturers also had a higher level of goods in process and finished products on hand at the close of 1956 than at the beginning of the year, with the result that the increase in total manufacturers' stocks amounted to approximately \$450 million. The increase was most pronounced in the iron and steel group, transportation equipment, non-ferrous metals, electrical apparatus, pulp and paper products, and other groups closely associated with the domestic investment program and export markets. The major part of the balance of business inventory accumulation, amounting to about \$300 million was concentrated in holdings at the retail and wholesale levels. Increased holdings of automobiles accounted for about one-quarter of the total accumulation in trade channels. Other substantial increases occurred in food and apparel items, household furniture and appliances, and construction and industrial equipment products. The effect of higher prices on inventory book values was more apparent in 1956 than in recent years, apparently accounting for nearly one-half of the increase in the total value of holdings.

The over-all build-up in inventories in 1956 appeared to be consistent with the higher level of economic activity, and in particular with the increase in final sales. Thus, while total final expenditures rose by 12 per cent in 1956, the increase in business inventory book values during the year amounted to about 10 per cent. Only in some specific lines such as some of the consumer durable items had stock-sales ratios increased appreciably by the end of the year. In general, these ratios were only moderately higher than at the close of 1955, and remained below the levels of 1953 and 1954. It may be noted that at the end of December, 1956, both new orders and unfilled orders in manufacturing were at levels well above December, 1955, suggesting that for this group the higher inventory holdings were related to sales commitments.

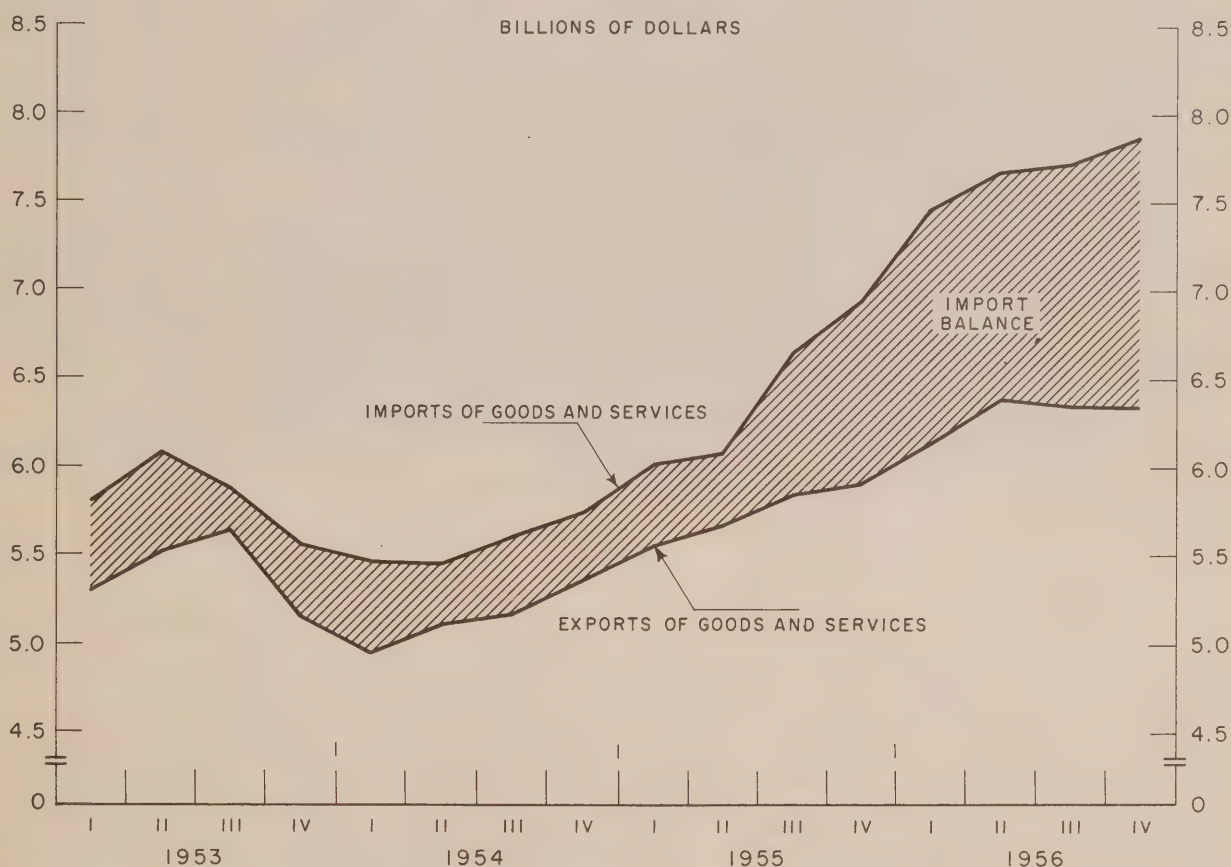
### Exports and Imports of Goods and Services

Canadian exports of goods and services in 1956 rose to \$6.3 billion,

10 per cent above the previous year's level. Price rises accounted for a little less than one-third of this increase. The expanding volume of exports reflected, in part, new capacity in resource development industries with a continuing high level of economic activity in the United States and overseas countries. Agricultural exports accounted for about 40 per cent of the total increase in commodities, associated with the sharp upturn in the sale of wheat, which advanced by 52 per cent. Iron and its products, petroleum, uranium, and other metals and minerals also increased significantly. While the wood and wood product group showed little change, there was some reduction in the export of lumber. Exports of most service items also increased but receipts of interest and dividends declined by about 12 per cent, mainly as a result of the exclusion of interest on the 1946 loan to the United Kingdom.

### IMPORTS ROSE MORE SHARPLY THAN EXPORTS IN 1956 AND THE DEFICIT ON CURRENT ACCOUNT AMOUNTED TO \$1.4 BILLION

(At Seasonally Adjusted Annual Rates)



Imports of goods and services in 1956 increased by 20 per cent, to a level of \$7.7 billion. Most of this increase was accounted for by the greater physical volume of imports; prices of imported goods and services rose on the average by about 3 per cent. The large advance in the imports in 1956 was associated with the sharp expansion of industrial activity in Canada, especially the



heavy demands of the capital expenditure program, and the continued growth of consumer expenditures. Of particular importance was the 39 per cent increase in imports of iron and its products, which accounted for one-half of the increase in total imports of goods and services, and for close to two-thirds of the increase in commodity imports. Other commodity groups also showed marked increases, notably non-metallic minerals and non-ferrous metals. The service portion of imports also advanced widely in 1956, associated with higher payments for transportation, increased tourist expenditures abroad, and a rise in remittances of dividends.

With imports increasing more sharply than exports in 1956, Canada's deficit on current account climbed to \$1.4 billion. This was more than twice the size of the previous year's deficit. Canada's deficit on trade with the United States increased by \$0.6 billion in 1956, while her surplus on trade with the United Kingdom declined by \$0.1 billion. The small surplus with other overseas countries showed little change.

#### Personal Income and Saving

Personal Income amounted to \$21.7 billion in 1956, a gain of \$2.0 billion or 10 per cent over the previous year. All components of Personal Income were higher, with \$1.5 billion of the advance accounted for by increased wage and salary payments, \$0.2 billion to higher farm income, \$0.2 billion to higher unincorporated non-farm business income, and the remainder to interest, dividends, and net rental income of persons. "Real" personal income per capita showed the sharpest advance of the post-war period.

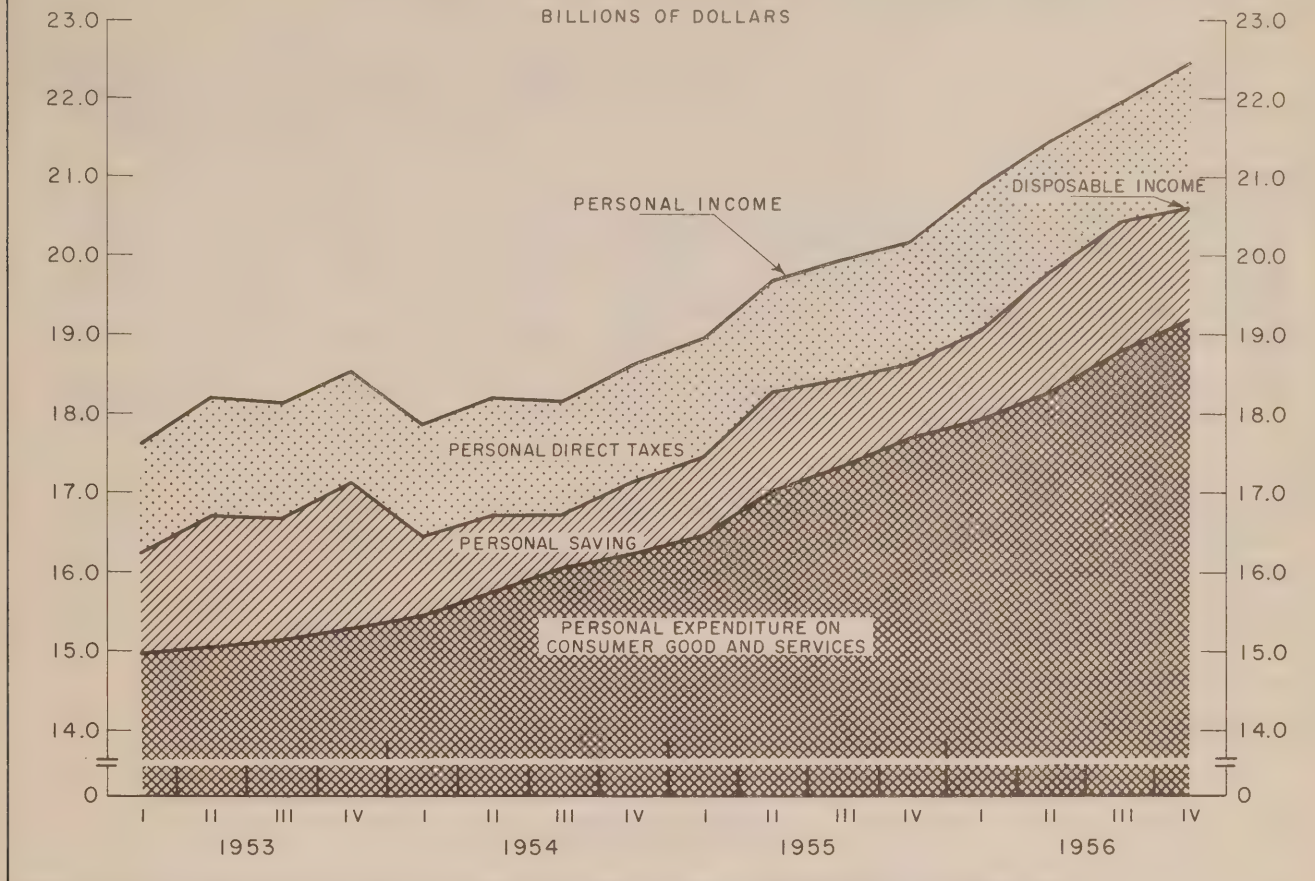
Turning to the disposition of Personal Income, personal expenditure on consumer goods and services rose by 8 per cent in 1956, with outlays for durables, non-durables and services showing gains of from 7 to 9 per cent. Personal direct taxes showed a very sharp advance of 15 per cent, reflecting the sizeable gains in taxable incomes and the progressive nature of the tax structure.

Personal Saving rose to \$1.4 billion in 1956, compared with \$1.1 billion in the previous year. As a percentage of Personal Income, Personal Saving was 6.6 per cent in 1956 compared with 5.4 per cent in 1955.



## PERSONAL INCOME AND EXPENDITURE ROSE TO RECORD LEVELS WHILE SAVING INCREASED

(At Seasonally Adjusted Annual Rates)



### National Saving and Investment

Gross National Saving rose by 21 per cent in 1956, from approximately \$5.1 billion in 1955 to \$6.1 billion. This increase was attributable to higher levels of personal and business saving, each of which contributed \$0.4 billion to the total gain; and to an increase in the surplus of the consolidated government account which contributed an additional \$0.3 billion. The increase of \$0.4 billion in business saving was accounted for by a gain of \$0.3 billion in depreciation allowances and \$0.1 billion in undistributed corporation profits. National saving was 20 per cent of Gross National Product in 1956, compared with 19 per cent in 1955.

Despite the sharply increased level of the nation's saving in 1956, the amount available was nevertheless insufficient to support the expanded program of capital investment in plant, machinery and equipment, housing, and inventories. Thus, while national saving was at a rate of \$6.1 billion, the total domestic investment program, including inventories, amounted to \$7.5 billion. The short-fall

in the nation's saving was met by drawing upon foreign resources, and the deficit on current account in 1956 amounted to \$1.4 billion, approximately double the deficit sustained in 1955.

This movement in the current account deficit in 1956 was matched by a sharp rise in the rate of capital inflow, which in some cases provided the initial stimulus to investment, as well as the means by which the net addition to the supply of goods and services from non-resident sources was financed.

	1955	1956	Change 1955 to 1956
	(millions of dollars)		
Gross Private Saving:			
Personal saving.....	1.1	1.4	+ 0.4
Undistributed corporation profits.....	0.9	1.0	+ 0.1
Depreciation allowances.....	2.9	3.2	+ 0.3
Other.....	-	-	-
Government surplus.....	0.1	0.4	+ 0.3
Residual error.....	-	-	-
Gross National Saving <sup>1</sup> .....	5.1	6.1	+ 1.1
Gross Domestic Investment:			
Gross Domestic Investment (ex. inventories)	5.3	6.6	+ 1.3
Change in inventories.....	0.5	0.9	+ 0.4
Net foreign investment.....	-0.7	-1.4	- 0.7
Residual error.....	-	-	-
Gross National Investment <sup>1</sup> .....	5.1	6.1	+ 1.0

1. Figures will not add by +.1 or -.1 due to rounding.

#### Technical Note

The series published in this report for the years 1954 to 1956 incorporate revisions to the major components of Gross National Product and Gross National Expenditure based on latest available data. In addition, a "timing adjustment" has been made to the series "Government expenditure on goods and services" to convert government payments for capital works and structures from a "cash" to a "work put in place" basis. The quarterly pattern of the government expenditure series is therefore discontinuous prior to 1954, although the annual data are not affected by this adjustment. Investigation has shown that government cash outlays on capital account are consistently lower than the actual work put in place in the second and third quarters of the year (the peak construction period), and substantially higher than the work put in place in the fourth and first quarters of the year (that is, toward the end of the government fiscal year). The quarterly movement in the residual error of estimate in 1955 and 1956 suggests that further timing discrepancies exist in these two years. Such differences in timing may occur as between final expenditures and incomes generated, or between final expenditures and deliveries out of inventories, or between the recording of import data and other components of the Gross National Expenditure. Further research is required on the problems in this area.





TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,856	2,948	3,075	3,115	11,994
2. Military Pay and Allowances.....	83	92	95	97	367
3. Investment Income.....	817	956	995	893	3,661
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	59	147	740	201	1,147
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	319	418	432	456	1,625
6. NET NATIONAL INCOME AT FACTOR COST.....	4,134	4,561	5,337	4,762	18,794
7. Indirect Taxes less Subsidies.....	724	741	734	748	2,947
8. Depreciation Allowances and Similar Business Costs.....	613	673	675	712	2,673
9. Residual Error of Estimate.....	-74	-6	-14	16	-78
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,397	5,969	6,732	6,238	24,336
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,338)	(5,822)	(5,992)	(6,037)	(23,189)

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,575	3,967	3,890	4,449	15,881
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,068	1,005	1,207	1,133	4,413
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	206	283	334	343	1,166
4. New Non-Residential Construction.....	356	398	475	430	1,659
5. New Machinery and Equipment .....	439	585	421	396	1,841
6. Change in Inventories.....	-137	-105	380	-413	-275
7. (Business Inventories only) <sup>3</sup> .....	(99)	(-5)	(-99)	(-140)	(-145)
8. Exports of Goods and Services.....	1,090	1,278	1,400	1,379	5,147
9. Deduct: Imports of Goods and Services.....	-1,274	-1,448	-1,389	-1,463	-5,574
10. Residual Error of Estimate.....	74	6	14	-16	78
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,397	5,969	6,732	6,238	24,336

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1 9 5 4					1 9 5 5					1 9 5 6				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
528	360	399	440	1,727	520	390	413	433	1,756	490	394	448	468	1,800

NATIONAL PRODUCT, BY QUARTERS, 1954-1956  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,727	3,786	14,284
93	100	101	100	394	93	106	113	112	424
876	1,123	1,229	1,111	4,339	1,070	1,276	1,290	1,146	4,782
-17	198	1,063	160	1,404	-2	111	1,267	232	1,608
347	460	478	508	1,793	376	497	537	541	1,951
4,268	5,031	6,186	5,255	20,740	4,798	5,500	6,934	5,817	23,049
756	800	831	851	3,238	855	909	912	925	3,601
652	712	744	770	2,878	710	780	819	842	3,151
63	-3	-23	23	60	18	-58	-11	116	65
5,739	6,540	7,738	6,899	26,916	6,381	7,131	8,654	7,700	29,866
(5,756)	(6,342)	(6,675)	(6,739)	(25,512)	(6,383)	(7,020)	(7,387)	(7,468)	(28,258)

EXPENDITURE, BY QUARTERS, 1954-1956  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
3,862	4,314	4,169	4,794	17,139	4,202	4,617	4,518	5,219	18,556
1,172	1,038	1,291	1,227	4,728	1,189	1,138	1,502	1,380	5,209
255	375	428	423	1,481	296	422	436	402	1,556
366	426	544	511	1,847	436	589	789	735	2,549
401	563	489	494	1,947	519	729	629	635	2,512
-87	-4	879	-278	510	110	24	986	-181	939
(198)	(9)	(66)	(46)	(319)	(377)	(227)	(33)	(105)	(742)
1,217	1,437	1,581	1,518	5,753	1,342	1,627	1,719	1,622	6,310
-1,385	-1,612	-1,666	-1,767	-6,430	-1,695	-2,072	-1,935	-1,997	-7,699
-62	3	23	-23	-59	-18	57	10	-115	-66
5,739	6,540	7,738	6,899	26,916	6,381	7,131	8,654	7,700	29,866

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,856	2,948	3,075	3,115	11,994
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-95	-98	-100	-103	-396
3. Military Pay and Allowances.....	83	92	95	97	367
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	64	156	719	212	1,151
5. Net Income of Non-Farm Unincorporated Business.....	319	418	432	456	1,625
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	404	462	444	473	1,783
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	476	387	379	392	1,634
8. Charitable Contributions by Corporations.....	6	7	7	5	25
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,119	4,378	5,058	4,654	18,209

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1954				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	298	359	314	325	1,296
2. Succession Duties.....	17	17	18	26	78
3. Miscellaneous.....	24	16	9	14	63
4. Total Personal Direct Taxes.....	339	392	341	365	1,437
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	1,917	2,187	2,232	2,661	8,997
6. Durable Goods.....	396	467	406	425	1,694
7. Services <sup>1</sup> .....	1,262	1,313	1,252	1,363	5,190
8. Total Personal Expenditure on Consumer Goods and Services.....	3,575	3,967	3,890	4,449	15,881
Personal Savings:					
9. Personal Saving Excluding Farm Inventory Change.....	397	86	365	158	1,006
10. Farm Inventory Change.....	-192	-67	462	-318	-115
11. Total Personal Saving.....	205	19	827	-160	891
12. PERSONAL INCOME.....	4,119	4,378	5,058	4,654	18,209
13. (Personal Disposable Income) <sup>2</sup> .....	3,780	3,986	4,717	4,289	16,772

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1954-1956  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
2,969	3,150	3,315	3,376	12,810	3,261	3,510	3,727	3,786	14,284
-100	-103	-107	-113	-423	-111	-115	-119	-119	-464
93	100	101	100	394	93	106	113	112	424
-38	215	1,050	155	1,382	-6	117	1,247	230	1,588
347	460	478	508	1,793	376	497	537	541	1,951
463	489	484	521	1,957	480	534	517	566	2,097
536	419	391	385	1,731	541	419	404	401	1,765
6	8	9	8	31	7	10	10	8	35
6	6	7	7	26	6	6	7	7	26
4,282	4,744	5,728	4,947	19,701	4,647	5,084	6,443	5,532	21,706

INCOME, BY QUARTERS, 1954-1956  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
310	336	322	329	1,297	331	390	382	392	1,495
25	25	39	38	127	37	49	31	29	146
25	16	10	16	67	32	20	13	14	79
360	377	371	383	1,491	400	459	426	435	1,720
2,111	2,367	2,348	2,847	9,673	2,310	2,506	2,550	3,147	10,513
381	545	487	506	1,919	428	605	516	512	2,061
1,370	1,402	1,334	1,441	5,547	1,464	1,506	1,452	1,560	5,982
3,862	4,314	4,169	4,794	17,139	4,202	4,617	4,518	5,219	18,556
287	62	423	88	860	274	203	573	211	1,261
-227	-9	765	-318	211	-229	-195	926	-333	169
60	53	1,188	-230	1,071	45	8	1,499	-122	1,430
4,282	4,744	5,728	4,947	19,701	4,647	5,084	6,443	5,532	21,706
3,922	4,367	5,357	4,564	18,210	4,247	4,625	6,017	5,097	19,986

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

		1954				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	11,836	11,876	12,048	12,216	11,994
2.	Military Pay and Allowances.....	332	368	380	388	367
3.	Investment Income.....	3,596	3,696	3,620	3,732	3,661
Net Income of Unincorporated Business:						
4.	Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	1,204	1,120	1,104	1,160	1,147
5.	Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,624	1,616	1,604	1,656	1,625
6.	NET NATIONAL INCOME AT FACTOR COST.....	18,592	18,676	18,756	19,152	18,794
7.	Indirect Taxes less Subsidies.....	2,960	2,956	2,904	2,968	2,947
8.	Depreciation Allowances and Similar Business Costs.....	2,580	2,688	2,688	2,736	2,673
9.	Residual Error of Estimate.....	-120	-172	-64	44	-78
10.	GROSS NATIONAL PRODUCT AT MARKET PRICES.....	24,012	24,148	24,284	24,900	24,336
11.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(22,808)	(23,028)	(23,180)	(23,740)	(23,189)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

		1954				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	15,444	15,772	16,064	16,244	15,881
2.	Government Expenditure on Goods and Services <sup>1</sup> .....	4,272	4,460	4,440	4,480	4,413
Gross Domestic Investment: <sup>2</sup>						
3.	New Residential Construction .....	1,112	1,092	1,196	1,264	1,166
4.	New Non-Residential Construction.....	1,724	1,640	1,624	1,648	1,659
5.	New Machinery and Equipment .....	1,876	1,972	1,776	1,740	1,841
6.	Change in Inventories.....	24	-552	-528	-44	-275
7.	(Business Inventories only) <sup>3</sup> .....	(292)	(-396)	(-400)	(-76)	(-145)
8.	Exports of Goods and Services.....	4,948	5,108	5,176	5,356	5,147
9.	Deduct: Imports of Goods and Services.....	-5,508	-5,516	-5,528	-5,744	-5,574
10.	Residual Error of Estimate.....	120	172	64	-44	78
11.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	24,012	24,148	24,284	24,900	24,336

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

NATIONAL PRODUCT, BY QUARTERS, 1954-1956  
AT ANNUAL RATES  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
12,360	12,672	12,976	13,232	12,810	13,636	14,108	14,560	14,832	14,284
372	400	404	400	394	372	424	452	448	424
3,864	4,304	4,512	4,676	4,339	4,748	4,784	4,736	4,860	4,782
1,312	1,448	1,412	1,444	1,404	1,576	1,584	1,568	1,704	1,608
1,752	1,776	1,812	1,832	1,793	1,916	1,920	2,012	1,956	1,951
19,660	20,600	21,116	21,584	20,740	22,248	22,820	23,328	23,800	23,049
3,096	3,192	3,284	3,380	3,238	3,480	3,628	3,604	3,692	3,601
2,772	2,844	2,920	2,976	2,878	3,048	3,112	3,176	3,268	3,151
204	-12	76	-28	60	-100	-12	148	224	65
25,732	26,624	27,396	27,912	26,916	28,676	29,548	30,256	30,984	29,866
(24,420)	(25,176)	(25,984)	(26,468)	(25,512)	(27,100)	(27,964)	(28,688)	(29,280)	(28,258)

BY QUARTERS, 1954-1956  
AT ANNUAL RATES  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
16,488	17,020	17,332	17,716	17,139	17,936	18,284	18,808	19,196	18,556
4,632	4,680	4,772	4,828	4,728	4,700	5,192	5,548	5,396	5,209
1,376	1,444	1,532	1,572	1,481	1,584	1,612	1,548	1,480	1,556
1,776	1,772	1,856	1,984	1,847	2,128	2,468	2,720	2,880	2,549
1,748	1,884	2,040	2,116	1,947	2,268	2,452	2,624	2,704	2,512
380	208	740	712	510	1,284	824	540	1,108	939
(276)	(-16)	(528)	(488)	(319)	(992)	(856)	(396)	(724)	(742)
5,560	5,680	5,868	5,904	5,753	6,156	6,392	6,348	6,344	6,310
-6,028	-6,080	-6,668	-6,944	-6,430	-7,480	-7,692	-7,728	-7,896	-7,699
-200	16	-76	24	-59	100	16	-152	-228	-66
25,732	26,624	27,396	27,912	26,916	28,676	29,548	30,256	30,984	29,866



TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

		1954				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	11,836	11,876	12,048	12,216	11,994
2.	Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-388	-396	-400	-400	-396
3.	Military Pay and Allowances.....	332	368	380	388	367
4.	Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,228	1,164	1,004	1,208	1,151
5.	Net Income of Non-Farm Unincorporated Business.....	1,624	1,616	1,604	1,656	1,625
6.	Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,720	1,776	1,812	1,824	1,783
Transfer Payments to Persons:						
7.	From Government (Excluding Interest).....	1,556	1,616	1,644	1,720	1,634
8.	Charitable Contributions by Corporations.....	24	28	28	20	25
9.	Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10.	PERSONAL INCOME.....	17,956	18,072	18,148	18,660	18,209

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

		1954				Year
		I	II	III	IV	
Personal Direct Taxes:						
1.	Income Taxes.....	1,260	1,320	1,284	1,320	1,296
2.	Succession Duties.....	68	68	72	104	78
3.	Miscellaneous.....	64	64	60	64	63
4.	Total Personal Direct Taxes.....	1,392	1,452	1,416	1,488	1,437
Personal Expenditure on Consumer Goods and Services:						
5.	Non-Durable Goods.....	8,652	8,976	9,156	9,204	8,997
6.	Durable Goods.....	1,784	1,664	1,660	1,668	1,694
7.	Services <sup>1</sup> .....	5,008	5,132	5,248	5,372	5,190
8.	Total Personal Expenditure on Consumer Goods and Services.....	15,444	15,772	16,064	16,244	15,881
9.	Total Personal Saving.....	1,120	848	668	928	891
10.	PERSONAL INCOME.....	17,956	18,072	18,148	18,660	18,209
11.	(Personal Disposable Income) <sup>2</sup> .....	16,564	16,620	16,732	17,172	16,772

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1954-1956  
AT ANNUAL RATES  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
12,360	12,672	12,976	13,232	12,810	13,636	14,108	14,560	14,832	14,284
-408	-416	-428	-440	-423	-452	-464	-476	-464	-464
372	400	404	400	394	372	424	452	448	424
1,224	1,516	1,360	1,428	1,382	1,560	1,608	1,488	1,696	1,588
1,752	1,776	1,812	1,832	1,793	1,916	1,920	2,012	1,956	1,951
1,968	1,880	1,976	2,004	1,957	2,044	2,056	2,112	2,176	2,097
1,760	1,756	1,708	1,700	1,731	1,772	1,752	1,768	1,768	1,765
24	32	36	32	31	28	40	40	32	35
24	24	28	28	26	24	24	28	28	26
19,076	19,640	19,872	20,216	19,701	20,900	21,468	21,984	22,472	21,706

INCOME, BY QUARTERS, 1954-1956  
AT ANNUAL RATES  
of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
1,308	1,236	1,320	1,324	1,297	1,392	1,432	1,564	1,592	1,495
100	100	156	152	127	148	196	124	116	146
64	64	64	76	67	76	80	88	72	79
1,472	1,400	1,540	1,552	1,491	1,616	1,708	1,776	1,780	1,720
9,324	9,612	9,760	9,996	9,673	10,196	10,272	10,668	10,916	10,513
1,720	1,916	2,008	2,032	1,919	1,948	2,100	2,112	2,084	2,061
5,444	5,492	5,564	5,688	5,547	5,792	5,912	6,028	6,196	5,982
16,488	17,020	17,332	17,716	17,139	17,936	18,284	18,808	19,196	18,556
1,116	1,220	1,000	948	1,071	1,348	1,476	1,400	1,496	1,430
19,076	19,640	19,872	20,216	19,701	20,900	21,468	21,984	22,472	21,706
17,604	18,240	18,332	18,664	18,210	19,284	19,760	20,208	20,692	19,986

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

		1954				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	3,032	3,359	3,276	3,769	13,436
2.	Non-Durable Goods.....	1,723	1,968	1,995	2,390	8,076
3.	Durable Goods.....	349	409	361	382	1,501
4.	Services.....	960	982	920	997	3,859
5.	Government Expenditure on Goods and Services.....	816	758	919	855	3,348
Gross Domestic Investment:						
6.	New Residential Construction.....	162	221	260	266	909
7.	New Non-Residential Construction.....	268	302	363	329	1,262
8.	New Machinery and Equipment.....	359	471	343	320	1,493
9.	Change in Inventories.....	-140	-148	433	-414	-269
10.	(Business Inventories only).....	(130)	(-3)	(-60)	(-131)	(-64)
11.	Exports of Goods and Services.....	993	1,152	1,265	1,261	4,671
12.	Deduct: Imports of Goods and Services.....	-1,162	-1,305	-1,256	-1,335	-5,058
13.	Residual Error of Estimate.....	61	5	11	-13	64
14.	GROSS NATIONAL EXPENDITURE.....	4,389	4,815	5,614	5,038	19,856

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

TABLE 10. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1954-1956  
SAVING  
(millions of dollars)

	1954	1955	1956
1. Personal Saving.....	891	1,071	1,430
2. Gross Business Saving:			
(a) Undistributed corporation profits.....	624	910	1,030
(b) Depreciation allowances and similar business costs.....	2,673	2,878	3,151
(c) Net bad debt losses of corporations <sup>1</sup> .....	-26	-26	-26
(d) Adjustment on grain transactions.....	-4	22	20
(e) Inventory valuation adjustment (n.e.i.).....	-	-1	-1
3. Government Surplus (+) or Deficit (-) <sup>2</sup> .....	-38	135	432
4. Residual Error of Estimate.....	-78	60	65
5. Total.....	4,042	5,049	6,101

1. Since these are included in both personal saving (item 1) and depreciation allowances and similar business costs (2b), they are deducted here to avoid double counting.

2. Includes surplus (or deficit) of federal, provincial and municipal governments, adjusted to National Accounts definitions.



CONSTANT DOLLARS, BY QUARTERS, 1954-1956  
FOR SEASONALITY<sup>1,2</sup>  
(in millions of dollars)

1955					1956				
I	II	III	IV	Year	I	II	III	IV	Year
3,255	3,663	3,537	4,070	14,525	3,533	3,888	3,764	4,317	15,502
1,909	2,136	2,114	2,565	8,724	2,092	2,259	2,268	2,771	9,390
346	506	466	474	1,792	395	559	483	465	1,902
1,000	1,021	957	1,031	4,009	1,046	1,070	1,013	1,081	4,210
873	757	951	883	3,464	845	781	1,046	945	3,617
197	287	323	317	1,124	219	310	318	293	1,140
275	319	402	368	1,364	307	412	551	508	1,778
324	457	392	382	1,555	396	555	476	463	1,890
-185	-94	1,057	-392	386	-49	-141	1,134	-325	619
(144)	(-13)	(12)	(-33)	(110)	(259)	(111)	(-28)	(26)	(368)
1,084	1,249	1,366	1,299	4,998	1,143	1,377	1,451	1,367	5,338
-1,246	-1,443	-1,489	-1,543	-5,721	-1,455	-1,782	-1,675	-1,725	-6,637
-50	2	18	-18	-48	-14	44	8	-90	-52
4,527	5,197	6,557	5,366	21,647	4,925	5,444	7,073	5,753	23,195

TABLE 11. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1954-1956

INVESTMENT  
(millions of dollars)

	1954	1955	1956
1. Gross Domestic Investment: <sup>1</sup>			
(a) New residential construction.....	1,166	1,481	1,556
(b) New non-residential construction.....	1,659	1,847	2,549
(c) New machinery and equipment.....	1,841	1,947	2,512
(d) Change in inventories.....	-275	510	939
2. Net Foreign Investment:			
(a) U.S.A.....	-774	-1,008	-1,617
(b) U.K. and other Sterling Area.....	264	394	241
(c) Other countries.....	83	-63	-13
3. Residual Error of Estimate.....	78	-59	-66
4. TOTAL.....	4,042	5,049	6,101

1. See footnote 2, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, see Table 15.

TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1954-1956  
REVENUE  
 (millions of dollars)

	1954	1955	1956
1. Direct Taxes — Persons.....	1,437	1,491	1,720
2. Federal.....	1,319	1,325	1,550
3. Provincial and Municipal.....	118	166	170
4. Direct Taxes — Corporations.....	1,114	1,262	1,410
Income and Profits Taxes			
5. Federal.....	1,050	1,200	1,333
6. Provincial.....	64	62	77
Withholding Taxes			
7. Federal.....	58	67	68
8. Indirect Taxes.....	3,033	3,317	3,722
9. Federal.....	1,612	1,744	1,972
10. Provincial and Municipal.....	1,421	1,573	1,750
11. Investment Income.....	595	641	711
12. Federal.....	217	248	295
13. Provincial and Municipal.....	378	393	416
14. Employer and Employee Contributions to Social Insurance and Pension Funds.....	396	423	464
15. Federal.....	261	284	321
16. Provincial and Municipal.....	135	139	143
Transfers from Other Governments			
17. Provincial and Municipal.....	430	450	481
18. Total Revenue.....	7,063	7,651	8,576
19. Federal.....	4,517	4,868	5,539
20. Provincial and Municipal.....	2,546	2,783	3,037
21. Deficit (+) or Surplus (-) <sup>1</sup> .....	+38	-135	-432
22. Federal.....	+57	-182	-589
23. Provincial and Municipal.....	-19	+47	+157
24. Total Revenue plus Deficit (or minus Surplus).....	7,101	7,516	8,144
25. Federal.....	4,574	4,686	4,950
26. Provincial and Municipal.....	2,527	2,830	3,194

1. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1954-1956

29.

EXPENDITURE  
(millions of dollars)

	1954	1955	1956
1. Goods and Services.....	4,413	4,728	5,209
2. Federal <sup>1</sup> .....	2,415	2,461	2,631
3. Provincial and Municipal.....	1,998	2,267	2,578
4. Transfer Payments.....	2,172	2,259	2,333
5. Federal.....	1,645	1,700	1,720
6. Provincial and Municipal.....	527	559	613
7. Subsidies.....	86	79	121
8. Federal.....	84	75	118
9. Provincial and Municipal.....	2	4	3
Transfers to Other Governments			
10. Federal.....	430	450	481
11. Total Expenditure.....	7,101	7,516	8,144
12. Federal.....	4,574	4,686	4,950
13. Provincial and Municipal.....	2,527	2,830	3,194

1. Includes defence expenditure of \$1,727 million in 1954; \$1,756 million in 1955; \$1,800 in 1956.

TABLE 14. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), BY INDUSTRY,<sup>1</sup> 1954-1956  
(millions of dollars)

	1954	1955	1956
1. Agriculture.....)	388	426	495
Fishing and Trapping.....)			
2. Forestry.....	46	63	74
3. Mining, Quarrying and Oil Wells.....	278	336	536
4. Manufacturing.....	822	946	1,349
5. Construction.....	97	174	191
6. Transportation, Storage and Communication.....)	1,119	1,093	1,625
Public Utility Operation.....)			
7. Trade.....	368	329	319
8. Finance, Insurance and Real Estate <sup>2</sup> .....	1,273	1,584	1,681
9. Service <sup>3</sup> .....	275	324	347
10. Total.....	4,666	5,275	6,617

1. This Table is derived from "Private and Public Investment in Canada, Outlook, 1956" and "Private and Public Investment in Canada, Outlook, 1957" (Department of Trade and Commerce); adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15.

2. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, Line 3.

3. Excludes government departmental expenditures, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.



TABLE 15. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), 1954-1956  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1954</u>	<u>1955</u>	<u>1956</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	5,620	6,350	7,900
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> .....	-12	-18	-19
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> ...	-843	-968	-1,159
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup>	-99	-89	-105
5. Total Gross Domestic Investment (excluding inventories) (1-2-3-4+5) = (6+7+8).....	4,666	5,275	6,617
6. New Residential Construction <sup>4</sup> .....	1,166	1,481	1,556
7. New Non-Residential Construction <sup>4</sup> .....	1,659	1,847	2,549
8. New Machinery and Equipment <sup>4</sup> .....	1,841	1,947	2,512

1. As presented in the publications "Private and Public Investment in Canada, Outlook, 1956" and "Private and Public Investment in Canada, Outlook, 1957", Department of Trade and Commerce.
2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint Federal-Provincial housing (Section 46, N.H.A.).
3. Included in "Government Expenditure on Goods and Services", line 2, Table 2.
4. See also lines 3, 4 and 5, Table 2.

TABLE 16. ANALYSIS AND RECONCILIATION OF EXPORTS AND IMPORTS, 1954-1956  
(millions of dollars)

	<u>1954</u>	<u>1955</u>	<u>1956</u>
Exports of Goods and Services:			
1. Merchandise Exports <sup>1</sup> .....	3,929	4,332	4,834
2. Gold available for Export <sup>1</sup> .....	155	155	150
3. Receipts from Services rendered to Non-Residents (including dividends and interest received from abroad).....	1,152	1,352	1,424
4. Subtotal: "Current Receipts" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,236	5,839	6,408
5. Adjustments <sup>2</sup> .....	-89	-86	-98
6. Total "Exports of Goods and Services" as per National Accounts <sup>3</sup>	5,147	5,753	6,310
Imports of Goods and Services:			
7. Merchandise Imports <sup>1</sup> .....	3,916	4,540	5,568
8. Payments for Services rendered by Non-Residents (including interest and dividends paid abroad).....	1,752	1,991	2,238
9. Subtotal: "Current Payments" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,668	6,531	7,806
10. Adjustments <sup>2</sup> .....	-94	-101	-107
11. Total "Imports of Goods and Services" as per National Accounts <sup>3</sup>	5,574	6,430	7,699

1. As presented in reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics). Excludes Mutual Aid to N.A.T.O. Countries 1954-1956.
2. Migrants' funds and inheritances.
3. See also Table 2.

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**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**FIRST QUARTER**  
**1957**

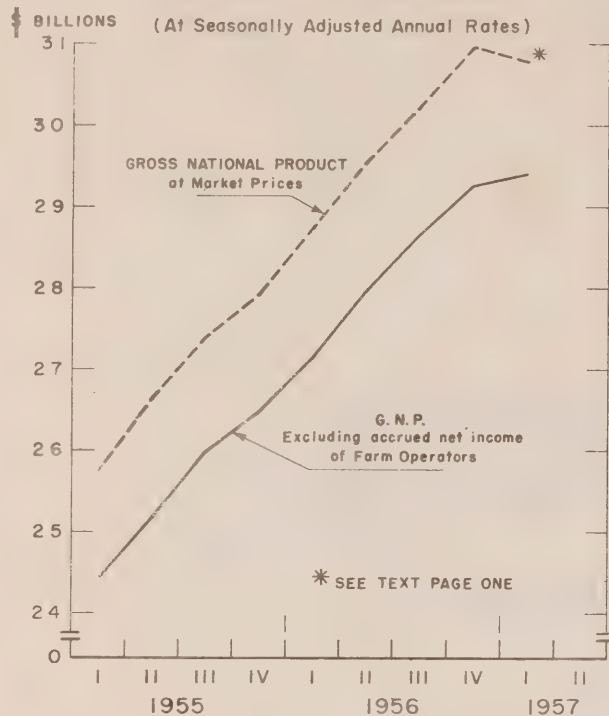
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**DOMINION BUREAU OF STATISTICS**  
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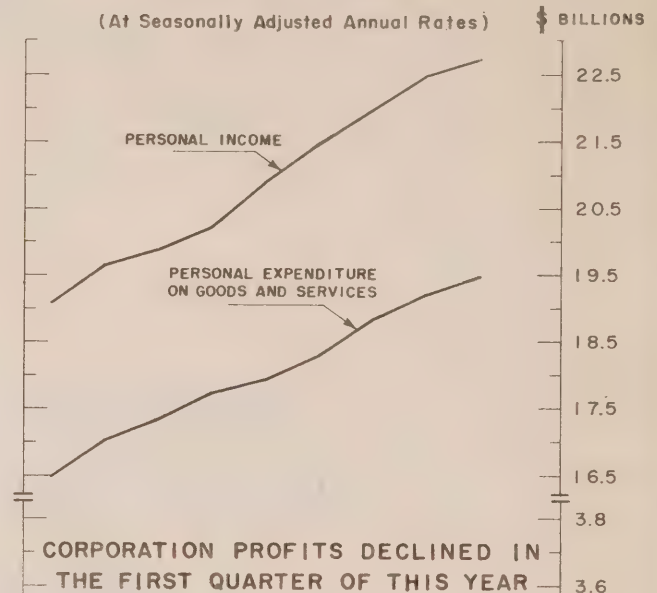
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Price \$1.00 per year

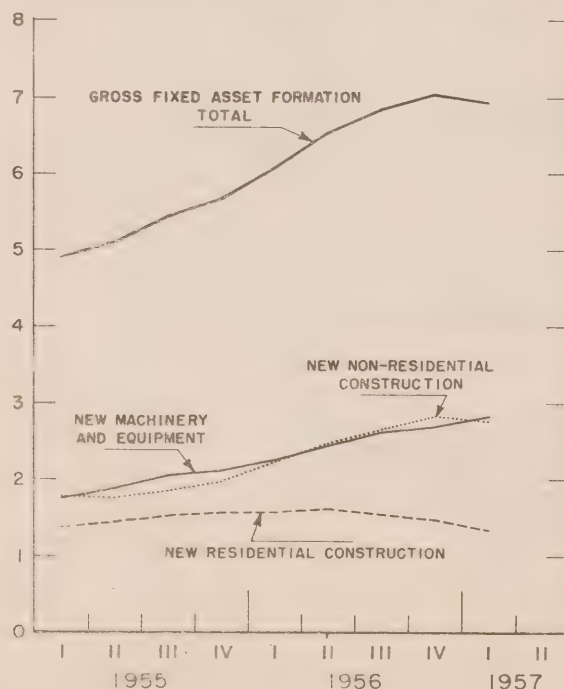
**G.N.P. REMAINED AT A HIGH LEVEL  
IN THE FIRST QUARTER. A SLIGHT  
GAIN IN NON-FARM G.N.P. REFLECTED  
MAINLY PRICE INCREASES**



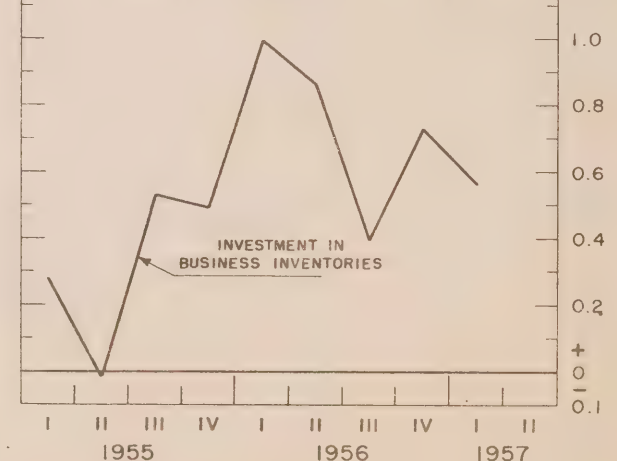
**BOTH PERSONAL INCOME AND  
EXPENDITURE INCREASED  
IN THE FIRST QUARTER**



**HOUSING CONSTRUCTION CONTINUED TO  
DECLINE AND NON-RESIDENTIAL CON-  
STRUCTION WAS SLIGHTLY LOWER THAN THE  
HIGH FOURTH QUARTER RATE INVESTMENT  
IN MACHINERY CONTINUED TO INCREASE**



**BUSINESS INVENTORY ACCUMULATION  
WAS LOWER THAN IN THE  
FOURTH QUARTER OF 1956**





## INTRODUCTORY REVIEW

The nation's total output of goods and services in the first quarter of 1957 showed little change from the fourth quarter of 1956, after allowance for seasonal factors. There was an increase of .9 per cent in non-farm Gross National Product and it is estimated that this was largely accounted for by price increases. In volume terms, non-farm output of goods and services in the first quarter was virtually unchanged. This relative stability in the volume of non-farm output in the first quarter follows successive quarter to quarter increases since mid-1954.

The quarterly estimates of total Gross National Product -- farm and non-farm -- include an arbitrary figure for farm output which is based on the assumption that a normal crop will be realized this year compared with the large crop realized in 1956<sup>1</sup>. Accordingly, the total Gross National Product for the first quarter is somewhat lower than that of the preceding quarter, allowing for seasonal factors, as is indicated in the table below.

### Components of Income and Expenditure\* (Per cent changes from 4th to 1st Quarter)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc. ....	+1.6	Personal goods and services.....	+1.5
Investment income.....	-1.5	Government goods and services.....	-0.7
Farm net income <sup>1</sup> .....	-18.5	Residential construction.....	-4.1
Other unincorporated business....	+2.7	Non-residential construction.....	-2.3
		Machinery and equipment <sup>1</sup> .....	+4.6
		Inventory change, total <sup>1</sup> : \$1,108 to \$608	
National Income.....	-0.5	(Inventory change, business \$724 to \$560)	
Indirect taxes, etc. ....	+5.1	Exports, goods and services.....	+1.1
Depreciation, etc. ....	+2.2	Imports, goods and services.....	+1.1
<hr/>		<hr/>	
Gross National Product <sup>1</sup> .....	-0.2	Gross National Expenditure <sup>1</sup> ..	-0.2
<hr/>		<hr/>	
Gross National Product			
ex farm net income .....	+0.9		

\* Seasonally adjusted at annual rates.

1. The value of crop production for the first quarter of 1957 is taken as one-fourth of the estimated value of production for the year as a whole, the latter being calculated on the basis of 10-year average yields, current acreage intentions and initial prices. The current estimates on this basis provide for a drop of about \$244 million between 1956 and 1957 in the value of crop production, and this is reflected in the change from the fourth to first quarters in the seasonally adjusted data of Gross National Product, and accrued net income of farm operators.



The levelling off in Gross National Product is the net result of a number of divergent movements among major components. The major aggregates of labour income and consumer expenditure both increased by 1 1/2 per cent between the fourth and first quarter. Exports and imports of goods and services both increased by 1 per cent. Corporation profits were lower, after seasonal adjustment. Housing showed a smaller decline than in preceding quarters; and non-residential construction appears to have been slightly lower. There was however a further expansion in expenditures for machinery and equipment. Moreover, business inventories continued to accumulate, although on a smaller scale than in the preceding quarter.

### Related Production Indicators

In general, the major gains in production, employment and income are to be found in the service and distributive trades rather than in the commodity-producing industries. Both production and employment were above the high fourth quarter level in the non-durable segment of manufacturing, though hours of work were reduced. Gains in some non-durables, such as food and beverages and paper products were partially offset by losses in others, such as rubber and clothing, but the net balance showed an overall increase in non-durable output.

In the durable segment of manufacturing, production fell nearly three per cent from the fourth to the first quarter, with the fall in output concentrated in non-metallic minerals, wood products, transportation equipment and non-ferrous metals. These developments were related in part to the reduced expenditure for some investment goods. In some instances, for example wood products, a fall in exports was a further factor in the trend of durable goods output. Employment was somewhat lower from quarter to quarter and hours of work appreciably reduced. Profits and labour income likewise registered some decline in the durable group.

The trends in output noted above were accompanied by corresponding trends in employment. While the total number of persons with jobs was substantially higher than a year ago, there was very little change in the seasonally adjusted total from the fourth to the first quarter. The number without jobs and seeking work, expressed as a per cent of the labour force, was 5.7 per cent in the first quarter of 1957, compared with 5.4 per cent a year earlier.

### COMPONENTS OF GROSS NATIONAL PRODUCT

#### Wages, Salaries and Supplementary Labour Income

Labour income was at a seasonally adjusted annual rate of \$15,076 million in the first quarter of 1957, 1.6 per cent higher than in the fourth quarter of 1956 and nearly 11 per cent higher than a year earlier. After seasonal adjustment, the number of employed paid workers was unchanged in the first quarter and hours of work were lower in those industries for which information is available. Higher wage rates account for the gain in labour income.

The industrial distribution of labour income reflects the mixed trends in production and employment. After seasonal adjustment, labour income in manufacturing was fractionally higher, as gains in some non-durables more than offset losses in durables. Labour income in construction, which had registered conspicuously large gains in 1956, was unchanged. The major gains occurred in the distributive and service trades and there was also higher labour income in mining and forestry, among the primary industries.



### Net Income of Unincorporated Business

Net income of unincorporated business, non-farm, at a seasonally adjusted annual rate of \$2,008 million in the first quarter of 1957, was 2.7 per cent higher than in the last quarter of 1956. Gains in trade and manufacturing more than offset a decline in incomes in the construction industry.

The estimate of seasonally adjusted accrued net farm income shows a substantial drop in the first quarter by reason of the assumption of an average crop, as explained in Footnote 1, Page 1. However, farm cash income, also seasonally adjusted, rose 7 per cent from the fourth quarter to the first.

### Investment Income

Investment income in the first quarter of 1957 is estimated at \$4,788 million, at a seasonally adjusted annual rate, compared with \$4,860 million in the fourth quarter of 1956. This decline of 1.5 per cent is largely the result of the fall in corporate profits which were lower by 6 per cent before adjustment for dividends paid abroad. The fall in profits is related to lower prices for some products, such as lumber and some base metals, to a reduced level of activity in some industries, such as non-metallic minerals and electrical apparatus and supplies, and to more pervasive influences tending to raise the level of unit costs. With dividends paid abroad considerably higher, corporate profits entering into national income were reduced somewhat more than the percentage mentioned above.

Most other elements of investment income were higher: net rents reflected higher rents and the larger stock of dwellings; deposit interest received by individuals from the banks reflected the higher interest rates paid on deposits, while dividends were also higher.

### Indirect Taxes less Subsidies

Indirect taxes less subsidies, \$3,880 million at a seasonally adjusted annual rate in the first quarter of 1957, were 5 per cent higher than in the closing quarter of last year. Increased yields of 10 per cent by comparison with a year ago reflect enhanced sales of goods subject to tax, such as consumer durables and gasoline, larger receipts from customs duties in keeping with the rise in imports, and higher revenues from real property taxes.

## COMPONENTS OF GROSS NATIONAL EXPENDITURE

### Consumer Expenditure

Personal expenditure on consumer goods and services was \$19,492 million; that is 1.5 per cent higher than in the last quarter of 1956 and 8.7 per cent higher than a year ago. Personal disposable income increased by .6 per cent.

The advance in consumer purchases was in the non-durable and service categories, with a partially offsetting reduction in purchases of durables.

Among the non-durable items, advances were widespread, with the important exception of clothing, which may have been affected by the late date of Easter, for



which no special adjustment is made in quarterly estimates. Major gains occurred in the categories related to automobiles, that is gasoline, etc., and automobile accessories.

Sales of new passenger cars were higher, but when adjustment is made for larger trade-in allowances and for the building-up of stocks of used cars in the hands of dealers, there was no increase in net purchases of cars of all types from the fourth quarter of 1956 to the first quarter of 1957. Purchases of other major durables were moderately lower as reductions in appliances and television sets were only partially offset by larger shipments of radios.

The continued advance in expenditure on services, 1.9 per cent, compares with 2 per cent increase in expenditure on non-durables and a 1.7 per cent decline in expenditure on durables. With consumer prices continuing to show some further advance, the gain in consumption in real terms was less than the 1.5 per cent increase in expenditure.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services, estimated at \$1,340 million in the first quarter, was approximately level with the fourth quarter, after seasonal adjustment. Federal outlays for defence were higher but non-defence outlays unchanged, by comparison with a year ago. The growth in government expenditure continues to be accounted for mainly by higher provincial and municipal outlays, with the expenditures of provincial governments particularly important in the quarter under review.

#### Investment in Business Inventories

Investment in business inventories in the first quarter of 1957 amounted to \$560 million at seasonally adjusted annual rates, which compares with \$724 million in the preceding quarter and \$992 million in the first quarter of 1956. The price factor in inventories continues to be important but is a somewhat smaller proportion than in most of 1956.

Accumulation of inventories took place principally in manufacturing, wholesale, and retail trade. Within manufacturing, the industrial pattern of accumulation differed considerably from that of a year ago. After seasonal adjustment, certain groups, chief among them food and beverages, tobacco and non-metallic minerals, were experiencing accumulation this year as opposed to more moderate build-up in the first quarter of 1956. On the other hand, certain other manufacturing industries, particularly heavy industries, whose investment in stocks was substantial early in 1956, were adding to stocks at a much lower rate this year. This trend is evident in transportation equipment, iron and steel, electrical apparatus, non-ferrous metals, and textiles. The most pronounced shift took place in the automotive industry where virtually no additions were made to stocks at the manufacturing level in the first quarter of this year.

Within wholesale trade, after allowing for seasonal variation, the inventory investment in the first quarter of the year took place in certain of the machinery groups, particularly industrial machinery. There were also increases in building materials, coal and coke and textiles. Within retail trade higher inventories were reported in apparel items, foods and for variety stores. The accumulation of stocks by automotive dealers was lower than a year earlier.



## Gross Domestic Investment (excluding change in inventories)

Investment in durable physical assets in the first quarter of 1957, was at a seasonally adjusted annual rate of \$7,012 million, unchanged from the last quarter of 1956. The continued rise in expenditure on machinery and equipment offset some further decline in housing and a somewhat lower level of non-residential construction. The survey of capital expenditures for the calendar year 1957 indicated an increase of 8 per cent over the peak level of 1956. An increase in investment in durable physical assets in subsequent quarters is implied, if the forecast is to be realized.

While non-residential construction at \$2,764 million was somewhat lower in the first quarter, it should be noted that non-residential construction had been rising sharply for eighteen months so that the rate in the last quarter of 1956 was exceptionally high.

Residential construction, estimated at \$1,420 million at a seasonally adjusted annual rate, was down 4 per cent from the last quarter of 1956. Housing starts, which have been falling steadily since the third quarter of 1955, were 73,000 in the first quarter compared with 106,000 in the last quarter of 1956, and completions 119,000 compared with 139,000, both seasonally adjusted. There was a distinct pick-up in starts in March but completions fell sharply, reflecting the earlier decline in starts.

A further slight increase in prices is an element in the estimate of construction in the first quarter, particularly in the non-residential segment.

First quarter expenditures for machinery and equipment were \$2,828 million, that is 4.6 per cent higher than in the fourth quarter of 1956. The first quarter's rate of increase over 1956 as a whole closely approximates the 13 per cent indicated in the survey of investment intentions. A price factor of one per cent is involved in the recent quarterly change.

## Exports and Imports of Goods and Services<sup>1</sup>

Exports of goods and services in the first quarter of 1957 were at a seasonally adjusted annual rate of \$6,416 million, about one per cent higher than in the last quarter of 1956. Exports of goods were substantially unchanged so that services are the source of the whole of the increase, with receipts from tourists, freight and shipping and interest and dividends all higher.

The sustained level of exports reflected varied trends in individual groups. Those showing weakness in the first quarter were animal products, wood products, iron and its products, chemicals and some base metals such as copper and nickel. Iron ore accounts for the falling off in iron and its products.

Imports of goods and services in the first quarter of 1957 were \$6,416 million at a seasonally adjusted annual rate. The increase from quarter to quarter was also one per cent and, as in the case of exports, the service elements account for the increase.

There was virtually no change in export prices from quarter to quarter but import prices continued to show some increase, causing a slight deterioration in the terms of trade.

1. For further detail, see the report on the "Canadian Balance of International Payments, First Quarter, 1957" (Balance of Payments Section, Dominion Bureau of Statistics).

EXPORTS AND IMPORTS OF GOODS AND SERVICES ROSE BY ABOUT  
THE SAME AMOUNT FROM THE FOURTH TO THE FIRST QUARTER

(At Seasonally Adjusted Annual Rates)

BILLIONS OF DOLLARS

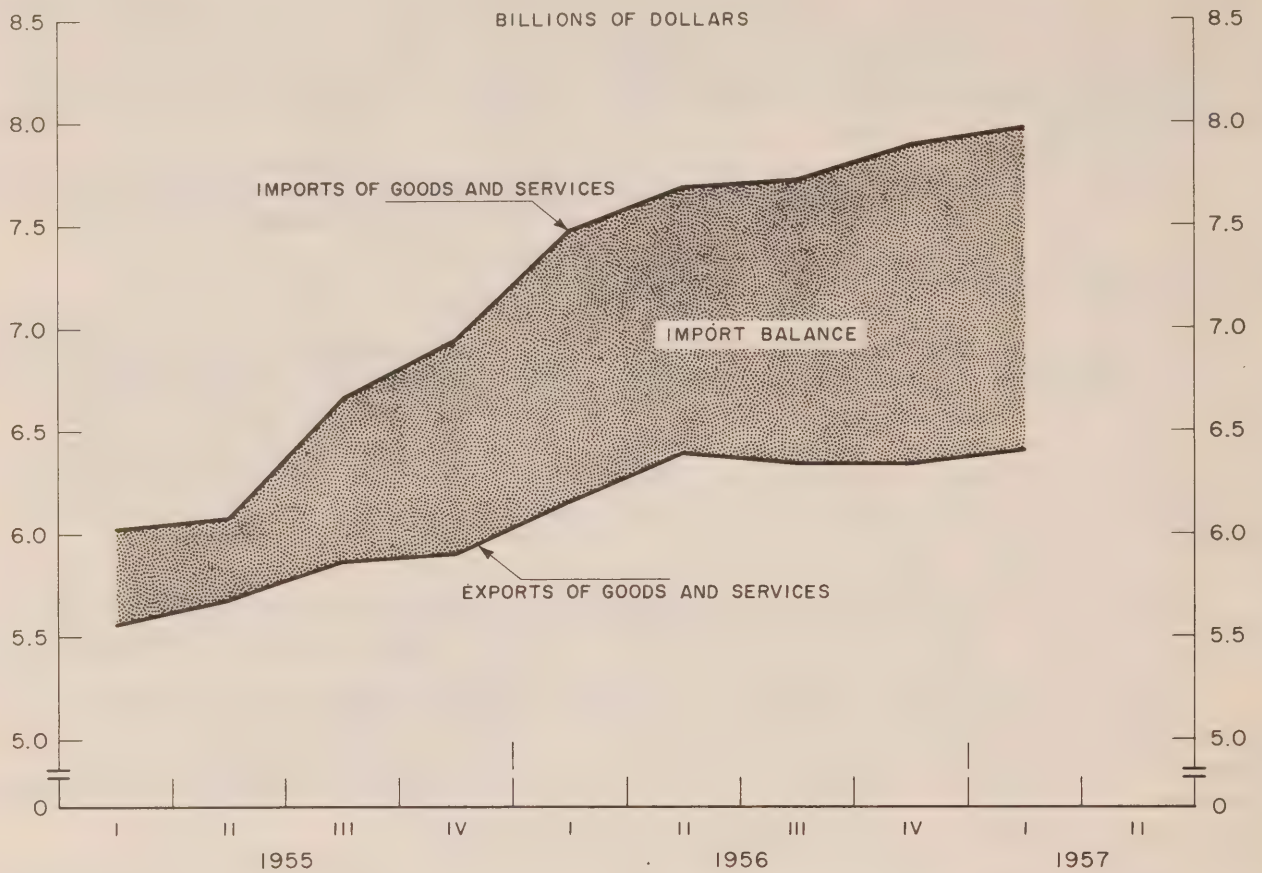






TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Military Pay and Allowances.....	93	100	101	100	394
3. Investment Income.....	876	1,123	1,229	1,111	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	-17	198	1,063	160	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	347	460	478	508	1,793
6. NET NATIONAL INCOME AT FACTOR COST.....	4,268	5,031	6,186	5,255	20,740
7. Indirect Taxes less Subsidies.....	756	800	831	851	3,238
8. Depreciation Allowances and Similar Business Costs.....	652	712	744	770	2,878
9. Residual Error of Estimate.....	63	-3	-23	23	60
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,756)	(6,342)	(6,675)	(6,739)	(25,512)

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,172	1,038	1,291	1,227	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	255	375	428	423	1,481
4. New Non-Residential Construction.....	366	426	544	511	1,847
5. New Machinery and Equipment .....	401	563	489	494	1,947
6. Change in Inventories.....	-87	-4	879	-278	510
7. (Business Inventories only) <sup>3</sup> .....	(198)	(9)	(66)	(46)	(319)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430
10. Residual Error of Estimate.....	-62	3	23	-23	-59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956					1957
I	II	III	IV	Year	I	II	III	IV	Year	I
520	390	413	433	1,756	490	394	448	468	1,800	511

NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
of dollars)

1956				1957	
I	II	III	IV	Year	I
3,261	3,510	3,727	3,786	14,284	3,607
93	106	113	112	424	108
1,070	1,276	1,290	1,146	4,782	1,083
-2	111	1,267	232	1,608	36
376	497	537	541	1,951	393
4,798	5,500	6,934	5,817	23,049	5,227
855	909	912	925	3,601	956
710	780	819	842	3,151	778
18	-58	-11	116	65	-23
6,381	7,131	8,654	7,700	29,866	6,938
(6,383)	(7,020)	(7,387)	(7,468)	(28,258)	(6,902)

EXPENDITURE, BY QUARTERS, 1955-1957  
of dollars)

1956				1957	
I	II	III	IV	Year	I
4,202	4,617	4,518	5,219	18,556	4,520
1,189	1,138	1,502	1,380	5,209	1,305
296	422	436	402	1,556	265
436	589	789	735	2,549	540
519	729	629	635	2,512	640
110	24	986	-181	939	58
(377)	(227)	(33)	(105)	(742)	(323)
1,342	1,627	1,719	1,622	6,310	1,398
-1,695	-2,072	-1,935	-1,997	-7,699	-1,811
-18	57	10	-115	-66	23
6,381	7,131	8,654	7,700	29,866	6,938



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-100	-103	-107	-113	-423
3. Military Pay and Allowances.....	93	100	101	100	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	-38	215	1,050	155	1,382
5. Net Income of Non-Farm Unincorporated Business.....	347	460	478	508	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	463	489	484	521	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	536	419	391	385	1,731
8. Charitable Contributions by Corporations.....	6	8	9	8	31
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

					1955				
					I	II	III	IV	Year
Personal Direct Taxes:									
1.	Income Taxes.....	310	336	322	329	1,297			
2.	Succession Duties.....	25	25	39	38	127			
3.	Miscellaneous.....	25	16	10	16	67			
4.	Total Personal Direct Taxes.....	360	377	371	383	1,491			
Personal Expenditure on Consumer Goods and Services:									
5.	Non-Durable Goods.....	2,111	2,367	2,348	2,847	9,673			
6.	Durable Goods.....	381	545	487	506	1,919			
7.	Services <sup>1</sup> .....	1,370	1,402	1,334	1,441	5,547			
8.	Total Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139			
Personal Saving:									
9.	Personal Saving Excluding Farm Inventory Change.....	287	62	423	88	860			
10.	Farm Inventory Change.....	- 227	-9	765	-318	211			
11.	Total Personal Saving.....	60	53	1,188	-230	1,071			
12.	PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701			
13.	(Personal Disposable Income) <sup>2</sup> .....	3,922	4,367	5,357	4,564	18,210			

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				1957	
I	II	III	IV	Year	I
3,261	3,510	3,727	3,786	14,284	3,607
-111	-115	-119	-119	-464	-123
93	106	113	112	424	108
-6	117	1,247	230	1,588	56
376	497	537	541	1,951	393
480	534	517	566	2,097	526
541	419	404	401	1,765	592
7	10	10	8	35	7
6	6	7	7	26	6
4,647	5,084	6,443	5,532	21,706	5,172

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				1957	
I	II	III	IV	Year	I
331	390	382	392	1,495	394
37	49	31	29	146	31
32	20	13	14	79	41
400	459	426	435	1,720	466
2,310	2,506	2,550	3,147	10,513	2,476
428	605	516	512	2,061	457
1,464	1,506	1,452	1,560	5,982	1,587
4,202	4,617	4,518	5,219	18,556	4,520
274	203	573	211	1,261	444
-229	-195	926	-333	169	-258
45	8	1,499	-122	1,430	186
4,647	5,084	6,443	5,532	21,706	5,172
4,247	4,625	6,017	5,097	19,986	4,706

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Military Pay and Allowances.....	372	400	404	400	394
3.	Investment Income.....	3,864	4,304	4,512	4,676	4,339
Net Income of Unincorporated Business:						
4.	Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	1,312	1,448	1,412	1,444	1,404
5.	Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,752	1,776	1,812	1,832	1,793
6.	NET NATIONAL INCOME AT FACTOR COST.....	19,660	20,600	21,116	21,584	20,740
7.	Indirect Taxes less Subsidies.....	3,096	3,192	3,284	3,380	3,238
8.	Depreciation Allowances and Similar Business Costs.....	2,772	2,844	2,920	2,976	2,878
9.	Residual Error of Estimate.....	204	-12	76	-28	60
10.	GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916
11.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(24,420)	(25,176)	(25,984)	(26,468)	(25,512)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
2.	Government Expenditure on Goods and Services <sup>1</sup> .....	4,632	4,680	4,772	4,828	4,728
Gross Domestic Investment: <sup>2</sup>						
3.	New Residential Construction .....	1,376	1,444	1,532	1,572	1,481
4.	New Non-Residential Construction.....	1,776	1,772	1,856	1,984	1,847
5.	New Machinery and Equipment .....	1,748	1,884	2,040	2,116	1,947
6.	Change in Inventories.....	380	208	740	712	510
7.	(Business Inventories only) <sup>3</sup> .....	(276)	(-16)	(528)	(488)	(319)
8.	Exports of Goods and Services.....	5,560	5,680	5,868	5,904	5,753
9.	Deduct: Imports of Goods and Services.....	-6,028	-6,080	-6,668	-6,944	-6,430
10.	Residual Error of Estimate.....	-200	16	-76	24	-59
11.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
(of dollars)

1956				1957	
I	II	III	IV	Year	I
13,636	14,108	14,560	14,832	14,284	15,076
372	424	452	448	424	432
4,748	4,784	4,736	4,860	4,782	4,788
1,576	1,584	1,568	1,704	1,608	1,388
1,916	1,920	2,012	1,956	1,951	2,008
22,248	22,820	23,328	23,800	23,049	23,692
3,480	3,628	3,604	3,692	3,601	3,880
3,048	3,112	3,176	3,268	3,151	3,340
-50	-10	122	200	65	-2
28,726	29,550	30,230	30,960	29,866	30,910
(27,150)	(27,966)	(28,662)	(29,256)	(28,258)	(29,522)

BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
(of dollars)

1956				1957	
I	II	III	IV	Year	I
17,936	18,284	18,808	19,196	18,556	19,492
4,700	5,192	5,548	5,396	5,209	5,360
1,584	1,612	1,548	1,480	1,556	1,420
2,228	2,476	2,664	2,828	2,549	2,764
2,268	2,452	2,624	2,704	2,512	2,828
1,284	824	540	1,108	939	608
(992)	(856)	(396)	(724)	(742)	(560)
6,156	6,392	6,348	6,344	6,310	6,416
-7,480	-7,692	-7,728	-7,896	-7,699	-7,980
50	10	-122	-200	-66	2
28,726	29,550	30,230	30,960	29,866	30,910

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

1955					
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-408	-416	-428	-440	-423
3. Military Pay and Allowances.....	372	400	404	400	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,224	1,516	1,360	1,428	1,382
5. Net Income of Non-Farm Unincorporated Business.....	1,752	1,776	1,812	1,832	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,968	1,880	1,976	2,004	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,760	1,756	1,708	1,700	1,731
8. Charitable Contributions by Corporations.....	24	32	36	32	31
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10. PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

1955					
	I	II	III	IV	Year
Personal Direct Taxes:					
1. Income Taxes.....	1,308	1,236	1,320	1,324	1,297
2. Succession Duties.....	100	100	156	152	127
3. Miscellaneous.....	64	64	64	76	67
4. Total Personal Direct Taxes.....	1,472	1,400	1,540	1,552	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	9,324	9,612	9,760	9,996	9,673
6. Durable Goods.....	1,720	1,916	2,008	2,032	1,919
7. Services <sup>1</sup> .....	5,444	5,492	5,564	5,688	5,547
8. Total Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
9. Total Personal Saving.....	1,116	1,220	1,000	948	1,071
10. PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701
11. (Personal Disposable Income) <sup>2</sup> .....	17,604	18,240	18,332	18,664	18,210

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				1957	
I	II	III	IV	Year	I
13,636	14,108	14,560	14,832	14,284	15,076
-452	-464	-476	-464	-464	-504
372	424	452	448	424	432
1,560	1,608	1,488	1,696	1,588	1,468
1,916	1,920	2,012	1,956	1,951	2,008
2,044	2,056	2,112	2,176	2,097	2,240
1,772	1,752	1,768	1,768	1,765	1,940
28	40	40	32	35	28
24	24	28	28	26	24
20,900	21,468	21,984	22,472	21,706	22,712

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				1957	
I	II	III	IV	Year	I
1,392	1,432	1,564	1,592	1,495	1,664
148	196	124	116	146	124
76	80	88	72	79	104
1,616	1,708	1,776	1,780	1,720	1,892
10,196	10,272	10,668	10,916	10,513	11,132
1,948	2,100	2,112	2,084	2,061	2,052
5,792	5,912	6,028	6,196	5,982	6,308
17,936	18,284	18,808	19,196	18,556	19,492
1,348	1,476	1,400	1,496	1,430	1,328
20,900	21,468	21,984	22,472	21,706	22,712
19,284	19,760	20,208	20,692	19,986	20,820



TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

	1955				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services.....	3,255	3,663	3,537	4,070	14,525
2. Non-Durable Goods.....	1,909	2,136	2,114	2,565	8,724
3. Durable Goods.....	346	506	466	474	1,792
4. Services.....	1,000	1,021	957	1,031	4,009
5. Government Expenditure on Goods and Services.....	873	757	951	883	3,464
Gross Domestic Investment:					
6. New Residential Construction.....	197	287	323	317	1,124
7. New Non-Residential Construction.....	275	319	402	368	1,364
8. New Machinery and Equipment.....	324	457	392	382	1,555
9. Change in Inventories.....	-185	-94	1,057	-392	386
10. (Business Inventories only).....	(144)	(-13)	(12)	(-33)	(110)
11. Exports of Goods and Services.....	1,084	1,249	1,366	1,299	4,998
12. Deduct: Imports of Goods and Services.....	-1,246	-1,443	-1,489	-1,543	-5,721
13. Residual Error of Estimate.....	-50	2	18	-18	-48
14. GROSS NATIONAL EXPENDITURE.....	4,527	5,197	6,557	5,366	21,647

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

CONSTANT DOLLARS, BY QUARTERS, 1955-1957  
 FOR SEASONALITY 1, 2  
 of dollars)

1956				Year	1957	
I	II	III	IV		I	
3,533	3,888	3,764	4,317	15,502	3,666	1.
2,092	2,259	2,268	2,771	9,390	2,169	2.
395	559	483	465	1,902	402	3.
1,046	1,070	1,013	1,081	4,210	1,095	4.
845	781	1,046	945	3,617	862	5.
219	310	318	293	1,140	182	6.
307	412	551	508	1,778	369	7.
396	555	476	463	1,890	463	8.
-49	-141	1,134	-325	619	-70	9.
(259)	(111)	(-28)	(26)	(368)	(239)	10.
1,143	1,377	1,451	1,367	5,338	1,164	11.
-1,455	-1,782	-1,675	-1,725	-6,637	-1,528	12.
-14	44	8	-90	-52	27	13.
4,925	5,444	7,073	5,753	23,195	5,135	14.







CANADA



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
SECOND QUARTER  
1957

*Published by Authority of*

The Honourable Gordon Churchill, Minister of Trade and Commerce

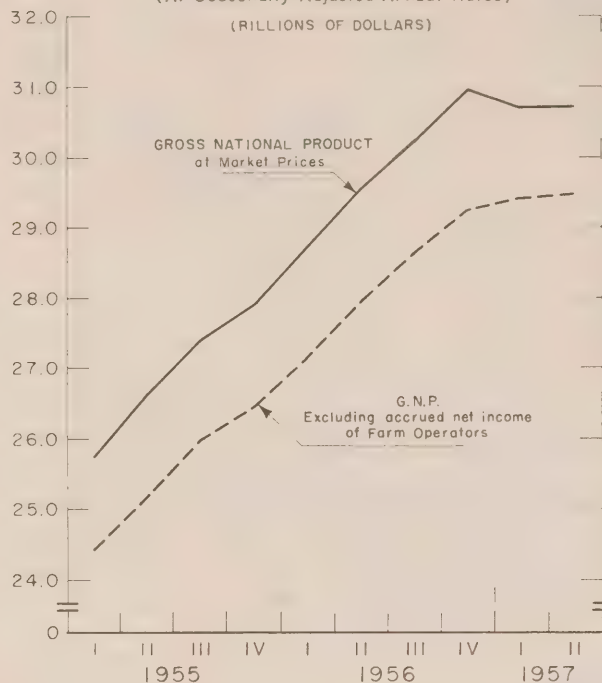
**DOMINION BUREAU OF STATISTICS**

Research and Development Division

National Income Section

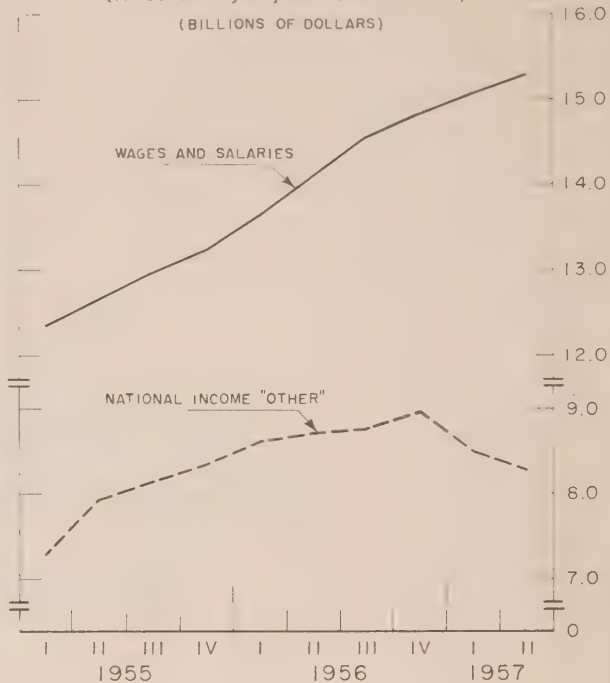
GROSS NATIONAL PRODUCT IN THE SECOND  
QUARTER WAS UNCHANGED FROM THE FIRST  
QUARTER RATE OF \$30.7 BILLION.

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



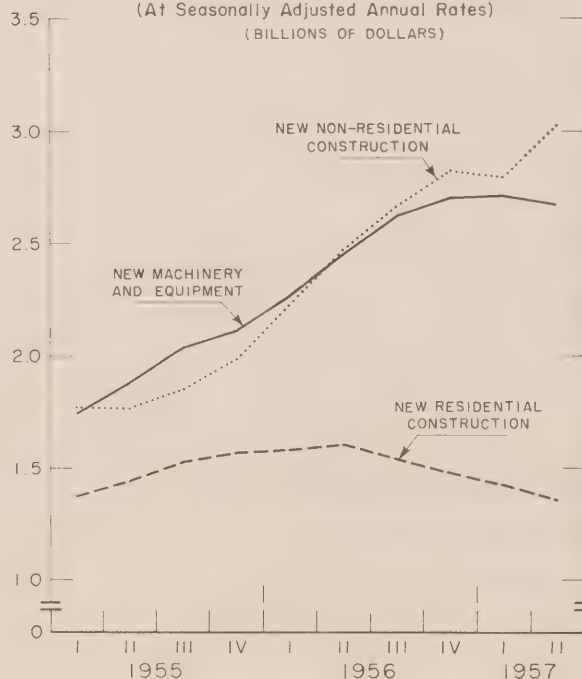
FURTHER GAINS IN WAGES AND SALARIES  
WERE OFFSET BY DECLINES IN OTHER  
COMPONENTS OF NATIONAL INCOME.

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



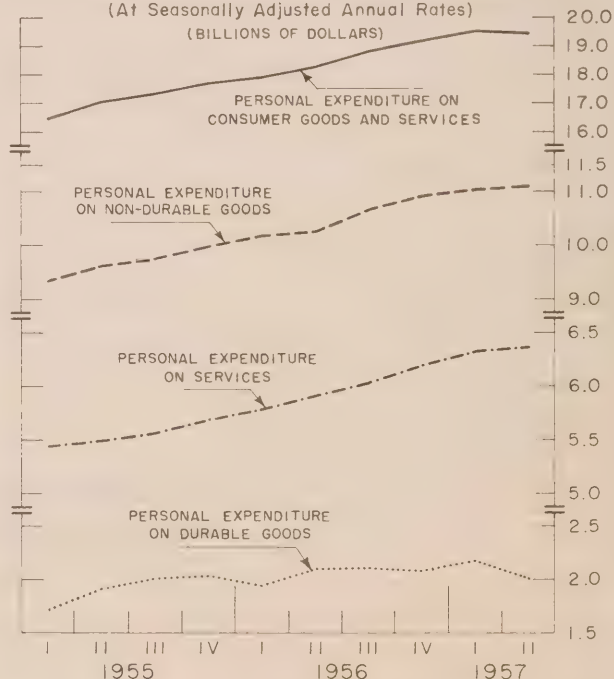
BUSINESS OUTLAYS FOR MACHINERY AND EQUIPMENT  
SHOWED A SMALL DECLINE, BUT A FURTHER ADVANCE  
OCCURRED IN EXPENDITURES FOR NEW NON-  
RESIDENTIAL CONSTRUCTION. OUTLAYS FOR  
HOUSING CONTINUED TO MOVE DOWNWARD.

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



PERSONAL EXPENDITURE ON CONSUMER GOODS AND  
SERVICES SHOWED LITTLE CHANGE IN THE SECOND  
QUARTER. A DROP IN PURCHASES OF DURABLE GOODS  
WAS APPROXIMATELY OFFSET BY SOMEWHAT HIGHER  
OUTLAYS FOR NON-DURABLES AND FOR SERVICES.

(At Seasonally Adjusted Annual Rates)  
(BILLIONS OF DOLLARS)



### INTRODUCTORY REVIEW

Preliminary estimates of Gross National Product in the second quarter show no change from the seasonally adjusted first quarter rate of \$30.7 billion. This stability in the value figures was accompanied by a further advance in final product prices, which rose during the period by almost 1 per cent. The levelling-off in output which was noted in the first quarter has thus been continued into the second quarter, and is in contrast to the strong upward trend which has characterized the figures since mid-1954. The recent levelling-off in output was not reflected in aggregative employment measures, which continued to move upward.

At \$30.7 billion, the Gross National Product in the first half of this year has averaged about 3 per cent above the annual figure for the year 1956 as a whole. This comparison includes an estimate of the value of crop production in Canada for the year 1957, which is substantially below the year 1956. Most recent data suggest that grain output may drop by about \$350 million this year, mainly due to extremely dry weather conditions in the Prairie Provinces. Such a decline would represent about 1 per cent of the total value of the Gross National Product. Non-farm Gross National Product, seasonally adjusted, has averaged about 4 per cent over last year's annual total in the first half of 1957.

The relative stability in the value of total production between the first and second quarters of this year was accompanied by mixed and offsetting tendencies in important categories of income, expenditure, and output. Labour income rose further as employment and earnings continued to advance. Investment income was off slightly, reflecting a continuation of the downward trend in profits, and a rise in dividends paid abroad. Other categories of National Income showed small declines; farm net income from the sale of livestock products was lower, while unincorporated non-farm income was affected by a decline in retail sales.

#### Components of Income and Expenditure\* (Per cent changes from 1st to 2nd Quarter, 1957)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc. ....	+ 2	Personal goods and services.....	-
Investment income.....	- 3	Government goods and services....	+5
Farm net income.....	- 4	Residential construction.....	-4
Other unincorporated business....	- 1	Non-residential construction.....	+8
		Machinery and equipment.....	-2
		Inventory change, total..\$524 Mn. to \$336 Mn.	
National Income.....	-	(Inventory change, business \$568 Mn. to \$312 Mn.)	
Indirect taxes, etc. ....	- 3	Exports, goods and services.....	-3
Depreciation, etc. ....	+ 2	Imports, goods and services.....	-1
<hr/>		<hr/>	
Gross National Product.....	-	Gross National Expenditure..	-
<hr/>		<hr/>	
Gross National Product ex farm net income.....	-		

\* Seasonally adjusted at annual rates.



On the expenditure side, offsetting tendencies were again present, with gains in non-residential construction and in government expenditures counterbalanced by declines in other demand categories. Personal expenditure on consumer goods and services was virtually the same as a drop in durable goods purchases was almost offset by gains in outlays for non-durables and for services; it may be noted that the advances in the latter two categories in the second quarter were somewhat smaller than in recent quarters. Although housing starts have risen sharply since the Spring, housing outlays showed a further decline in the second quarter, reflecting the fact that completions were lower. The strong upward movement in outlays for new machinery and equipment came to an end in the first quarter, and in the second quarter gave way to a minor decline. At the same time, imports of goods and services fell slightly, in response to a smaller inflow of iron and its products, marking the first break in a long period of successive quarter-to-quarter gains. Exports of goods and services, which were level throughout most of 1956, were adversely affected in the second quarter by a further decline in exports of agricultural products, notably grains. These widespread, though individually quite small, declines in the above-noted categories of final demand were accompanied by a fall-off in the rate of inventory accumulation, as both the trade groups and manufacturers added less to their holdings of inventories. The net effect of these divergent movements was to leave total Gross National Expenditure approximately unchanged at the level of the first quarter of 1957.

### Real Output

Related indicators suggest varied trends in output in the main industrial groups. Seasonal factors apart, major gains in output continued to occur in the primary industries, forestry, and mining, quarrying and oil wells; output in the construction industry also rose. Output in manufacturing was off 3 per cent, with the major part of that loss concentrated in durable goods industries, which were down 4 per cent in contrast to a 1 per cent decline in non-durables. Losses were for the most part small and fairly widely dispersed among the various manufacturing industries. A sharp fall in output occurred in two industries, non-ferrous metals and transportation equipment; in the first-named the sharpness of the drop is partly attributable to a prolonged work stoppage in a large aluminum plant; in transportation equipment, the decline in output is mainly accounted for by the lower level of production in the automotive industry.

In addition to manufacturing, losses occurred in some other industries; output in transportation was lower, reflecting the drop in rail freight traffic. Likewise output in trade reflected the reduced volume of retail sales.

In spite of declines in output in a number of industries in the second quarter, the level of production in almost all industrial groups in the first half of 1957 was above that of the corresponding period of 1956. The sharpest gains were in mining (10 per cent), electric power and gas utilities (8 per cent) and construction (5 per cent). The increase in manufacturing output (1 per cent) was the lowest of any major industry.

### Employment

In spite of the levelling off in production, employment continued to rise in the second quarter, with the industrial composite index of employment showing a small gain of 0.6 per cent, apart from seasonal factors. With employment in manufacturing and mining slightly lower, the gains have taken place in construction and the service industries.



The number of persons with jobs in the first six months of this year was nearly 3 per cent higher than in the corresponding period of 1956 and those with jobs in the non-farm sector 4 per cent higher. However, the rise in employment did not keep pace with the unusually rapid growth of the labour force and the number without jobs and seeking work as a percentage of the labour force averaged 4.7 as compared with 4.3 in the same period of 1956.

### Prices

While the pressure on prices at the wholesale level appears to have eased since early in the year, final product prices continued to move upward in the second quarter. It is estimated that the over-all level of prices at the final product stage rose by somewhat less than 1 per cent in the second quarter. Varying increases were noted in each of the major expenditure components. However, at the wholesale level, prices declined fractionally in the second quarter, and in June were somewhat lower than the peak reached in January of this year. It should be noted that movements in the components of the wholesale price index over the past year have been conflicting, with declines occurring in non-ferrous metal products, vegetable products, and wood and wood products; some components of the index have levelled off while others have continued to move upward. Compared with the second quarter of 1956, the over-all wholesale price index shows a gain of 1 per cent in contrast to the rise of 3 per cent which occurred in the previous 12-month period. The rise in the consumer price index during the past six months is mainly attributable to the services segment, with the goods content of the index showing relatively small gains.

## COMPONENTS OF GROSS NATIONAL PRODUCT

### Wages, Salaries and Supplementary Labour Income

Labour income in the second quarter is estimated to be \$15,300 million at a seasonally adjusted annual rate, which represents an increase of 1 1/2 per cent from the preceding quarter. This rise is the result of an increase in employment of about 1 per cent and higher average earnings.

Labour income in the construction industry continued to show relatively large gains. Significant increases also occurred in public utilities, transportation, communication and storage, finance, insurance and real estate, and forestry. With employment in manufacturing down 1 per cent, seasonally adjusted, labour income in this industry was slightly below the level of the first quarter.

When the first half of 1957 is compared with the same period of 1956, the advance in labour income is 10 per cent and the industries showing relatively large gains are finance and services, and public utilities, transportation, communications and storage. The advance of 10 per cent in labour income in this comparison reflects a 4 per cent increase in the number of employed paid workers and higher average earnings. It may be noted that hours worked per week in manufacturing were lower in the half-year comparison, by about 1 per cent.

### Investment Income

Investment income in the second quarter of 1957 was at a seasonally adjusted annual rate of \$4,664 million, a decline of 3 per cent from the level of the first quarter.

Corporate profits before deduction of dividends paid abroad were slightly lower, seasonally adjusted, than in the first quarter. The small change in the aggregate conceals divergent experience in the various industrial groups. About one-half of the component industries registered lower profits, the largest declines being in iron and steel, non-ferrous metals and textiles. Somewhat higher profits were recorded in mining, chemicals, non-metallic minerals, foods and beverages and in some of the service-producing industries. With the continued sharp advance in dividends paid abroad, corporate profits after deduction of dividends paid abroad were estimated to be down 4 per cent.

Seasonally adjusted, investment income of individuals was up 2 per cent, reflecting higher receipts in the form of interest and rents, partially offset by lower dividends. On the other hand, government investment income was substantially reduced.

In the six months' comparison, investment income in 1957 was slightly below the level of 1956. Corporate profits before dividends paid abroad were nearly 5 per cent lower and corporate profits entering National Income were down about 8 per cent. Other elements of investment income rose almost enough to offset the decline in corporate profits.

#### Net Income of Unincorporated Business

Net income originating in unincorporated business was lower in the second quarter than in the first, by about 2 per cent. Farm income, seasonally adjusted, declined as a result of a somewhat lower level of livestock production. In the non-farm sector, net income showed a drop of about 1 per cent, reflecting chiefly a decline in the retail trade group.

It may be noted that net farm income in the second quarter shows a drop of about 22 per cent from the same period one year ago. This decline reflects the fact that grain production for the full year 1957 is estimated to be \$350 million below 1956. In the seasonally adjusted estimates, crop production is divided evenly among the four quarters of the year.

#### Indirect Taxes less Subsidies

Seasonally adjusted at annual rates, indirect taxes less subsidies amounted to \$3,764 million, 3 per cent less than in the first quarter. The decline was attributable to a drop in excise taxes (8 per cent) and customs import duties (7 per cent) at the Federal level.

However, when the second quarter of 1957 is compared with the same period of 1956, Federal indirect taxes were unchanged. Customs import duties, reflecting the decline in imports, were substantially lower but this decline was offset by higher receipts from excise and other indirect taxes. Provincial indirect taxes rose, mainly as the result of higher yields from the gasoline and retail sales taxes. Real and personal property taxes account for the major part of the increase in municipal revenues.

In the six-months' comparison, indirect taxes less subsidies showed an increase of 8 per cent.



## COMPONENTS OF GROSS NATIONAL EXPENDITURE

### Government Expenditure on Goods and Services

Government expenditure on goods and services, seasonally adjusted, in the second quarter was \$5,448 million, 5 per cent higher than in the first quarter. The gains were concentrated at the provincial and municipal level. It may be noted that the estimate is on a cash basis and therefore does not take into account the increase in wages and salaries at the Federal level which became effective, but was not paid, in the second quarter.

When the first half of 1957 is compared with the first half of 1956, government expenditure on goods and services shows an increase of 5 per cent. Defence outlays have shown little change in the half year, but other outlays have risen at all three levels of government.

### Gross Domestic Investment (excluding change in inventories)

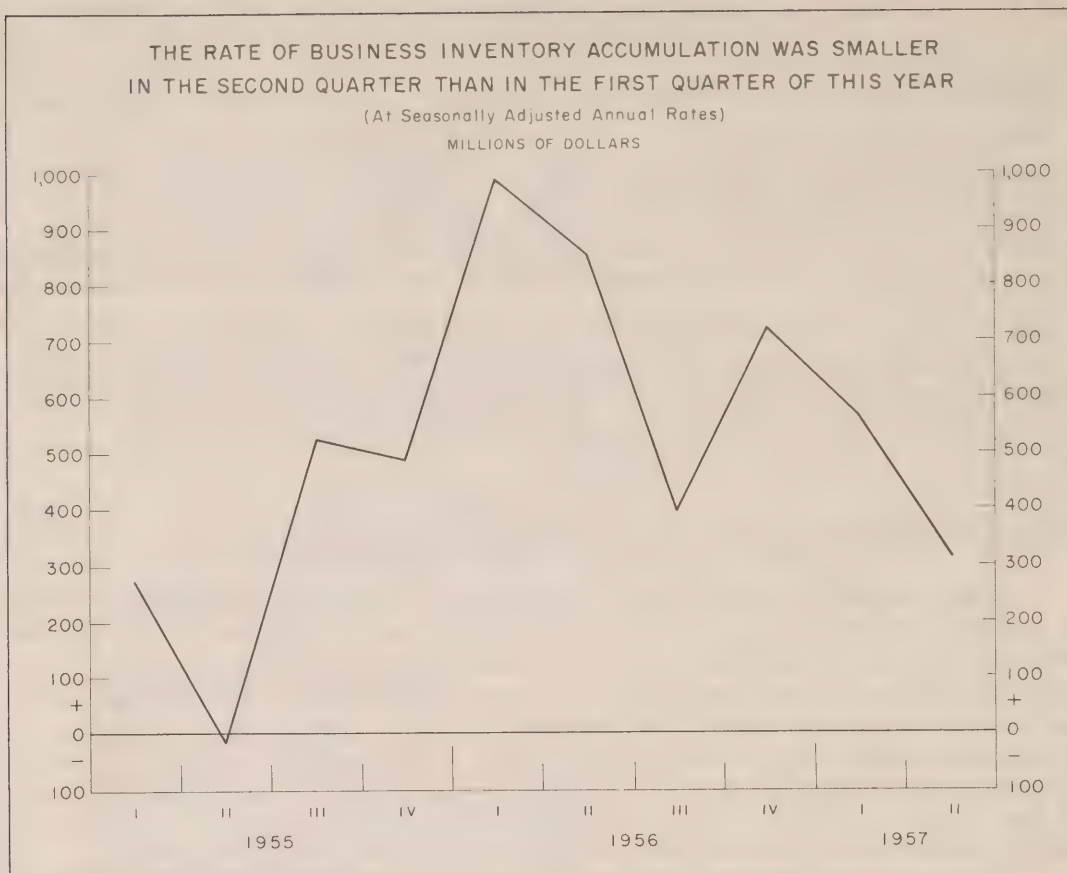
Gross domestic investment (excluding change in inventories) in the second quarter was \$7,072 million, at seasonally adjusted annual rates, 2 per cent above the level of the first quarter. The composition of investment changed somewhat as the emphasis shifted toward construction and away from machinery and equipment. The two construction components in the second quarter, seasonally adjusted, were \$4,400 million compared with \$4,228 million in the first quarter, while outlays for machinery and equipment, also seasonally adjusted, were \$2,672 million, \$44 million less than in the first quarter. The rise in construction outlays is the result of an 8 per cent increase in non-residential construction, partially offset by a 4 per cent decline in expenditures for housing. There was a distinct recovery in housing starts in the second quarter but completions continued to be below the level of the preceding quarter. The slight falling off in expenditures for machinery and equipment in the second quarter follows a two-year period of steadily advancing outlays.

The rise in the price of investment goods between the first and second quarters appears to have been less than one per cent, so that the volume of investment was to that extent lower than the value figures indicate. The major part of the gains reflected wage rates rather than prices of materials.

In the first six months of this year gross domestic investment was at an annual rate of \$7,008 million, compared with \$6,310 million in the same period of 1956.

### Investment in Business Inventories

At a seasonally adjusted annual rate, investment in business inventories in the second quarter amounted to \$312 million, in contrast to \$568 million in the first quarter. The reduction in the rate of investment reflects the decided falling off in the rate of accumulation in trade following a substantial build-up of stocks in the first quarter. Manufacturers' stocks continued to increase but at a lower rate than in the first quarter. Since prices were somewhat higher the increase in the volume of stocks was lower than the value figures indicate.



Within manufacturing, after allowing for normal seasonal variation, stocks continued to accumulate in the clothing, pulp and paper, non-ferrous metals and non-metallic minerals groups but at lower rates than those of the first quarter. Some manufacturing industries, in particular, food and beverages, tobacco, rubber products, and electrical apparatus and supplies, shifted from accumulation to liquidation between the two quarters. Textiles and transportation equipment appear to be an exception to the general trend in manufacturing. Having shown some liquidation in the first quarter, they added to stocks in the second.

Declines in investment in inventories, seasonally adjusted, were widely dispersed among the various trade groups. At the wholesale level, investment in stocks was generally lower in the durable groups (household equipment, farm, industrial and commercial machinery, and building materials). The same development occurred in clothing at both the wholesale and retail level. Mixed trends were evident in food items, with generally lower stocks at wholesale partly offset by further accumulation at retail.

Stocks of new passenger cars were somewhat higher at retail, but the principal accumulation of automobiles in the second quarter appeared to have taken place at the manufacturing level, accounting in large part for the development noted above in the transportation equipment group.

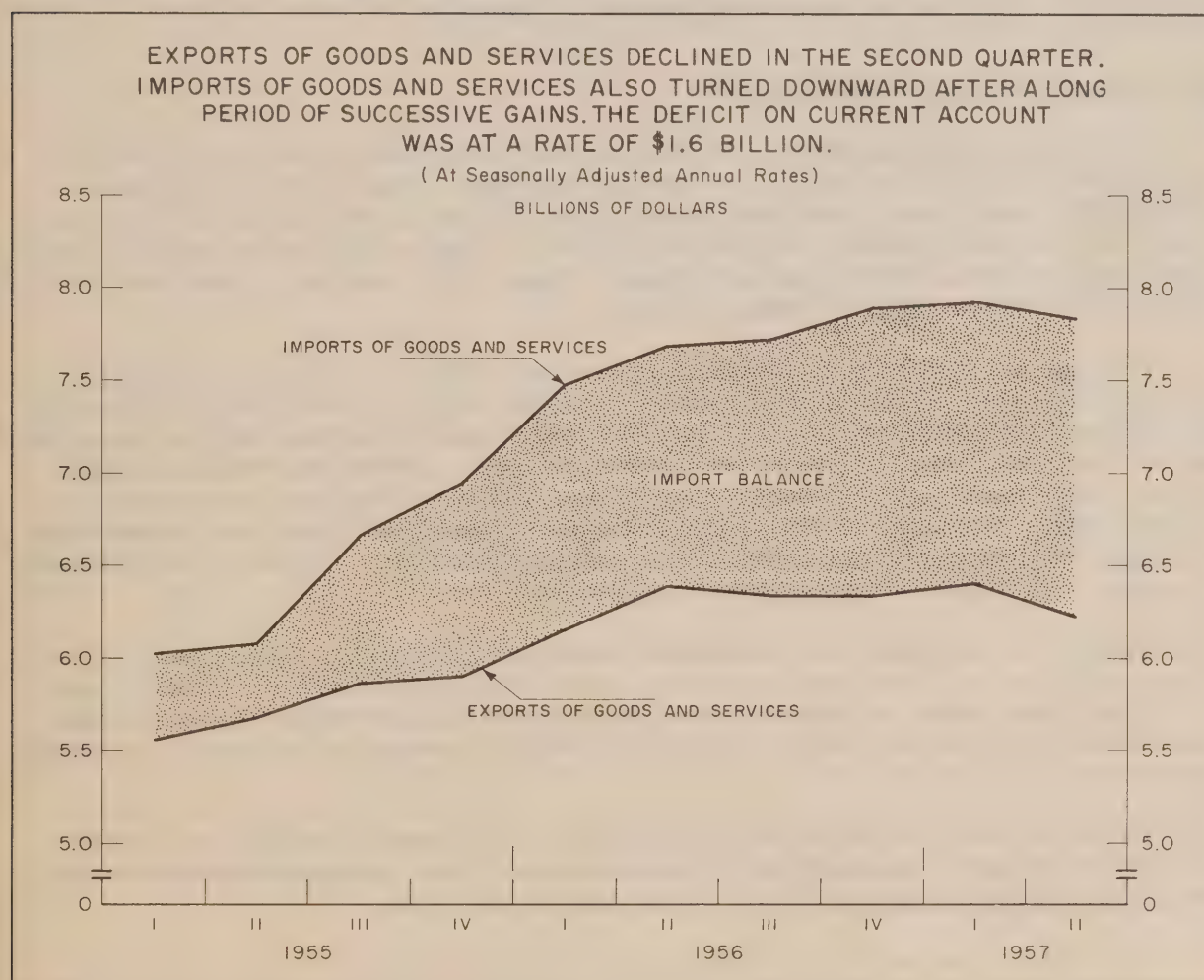
The recent lower level of investment in inventories followed the general downward trend in evidence since the first quarter of 1956 when accumulation was at



its peak of more than \$900 million at seasonally adjusted annual rates. At that time final demand was expanding very rapidly. The tendency toward smaller additions to stocks in the second quarter was accompanied by a general increase in the ratio of stocks to sales from the comparatively low levels of 1955 and early 1956, although stocks-sales ratios were not back to their mid-1954 levels.

### Exports and Imports of Goods and Services

At a seasonally adjusted annual rate of \$6,224 million in the second quarter, exports of goods and services were nearly 3 per cent below the level of the first quarter. The bulk of the decline is attributable to goods rather than services. The most important factor in the movement of exports was the sharp drop in sales of wheat, which was partially offset by an increase in exports of some other products. Receipts from invisibles were moderately lower as a result of a reduction in exports of gold not fully offset by larger receipts of interest and dividends and on tourist account.





Imports of goods and services in the second quarter were at a seasonally adjusted annual rate of \$7,840 million, about 1 per cent lower than in the first quarter. This decline follows a steady succession of increases since the second quarter of 1954. The reductions were concentrated in merchandise items while payments for services were higher, largely as a result of a larger outflow of interest and dividends. The slackening rate of investment in machinery and equipment was reflected in a moderate falling-off in imports of iron and its products.

The increase in prices in the external sector between the first and second quarter was insignificant so that the declines in the volume of exports and imports of goods and services roughly correspond to the changes in value.

With exports of goods and services in the second quarter falling more than imports, the deficit on current international account, seasonally adjusted, rose from \$1,520 million to \$1,616 million.

In a comparison of the first six months of 1957 with the first six months of the previous year, the value of exports of goods and services is virtually unchanged while the value of imports is higher by 4 per cent.

#### Personal Income, Expenditure and Saving

With conflicting movements in the various components, personal income in the second quarter of 1957 was at a seasonally adjusted annual rate of \$22,808 million, slightly more than 1 per cent higher than in the first quarter. Personal taxes moved in line with income, so that the rise in disposable income paralleled that of personal income. With consumer prices higher by 1 per cent, the gain in real income fell short of the rise in money income.

Consumer expenditure in the second quarter, \$19,484 million, receded slightly from the level of the first quarter, reflecting an appreciable decline in purchases of durables accompanied by a smaller than usual expansion in purchases of non-durables and services. Sales of new passenger cars, which had been unusually high in the first quarter, were down about 25 per cent on a seasonally adjusted basis. There was a distinct recovery in purchases of used cars but net expenditure on cars (sales less trade-in allowances) was down 15 per cent. There were also some relatively small declines in purchases of other durables.

Changes in purchases of non-durables showed no clear pattern. Of the main categories, purchases of food were about the same while purchases of clothing were lower. The small increase in expenditures on services is accounted for by an increase in rents, paid and imputed, partially offset by losses in some other service categories.

The major part of the rise in prices in the consumer sector is in the service items, with goods showing very little change. The continuing upward trend of prices of services accounts for the increased expenditure.

In the first six months of the year consumer expenditure was higher by 6 per cent than in the same period of last year. In this comparison, as in the quarterly comparison for this year, the major change in the pattern of spending is in purchases of durables, whereas purchases of non-durables and services were higher by 7 per cent and 8 per cent respectively; expenditures on durables remained at the same level.

With disposable income higher by about 1 per cent in the second quarter, and personal expenditure showing little change in total, the rate of personal saving was appreciably higher than in the first quarter, rising from \$1.1 billion to \$1.4 billion. As a percentage of disposable income, personal saving was 5.3 per cent in the first quarter and 6.8 per cent in the second quarter.

TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Military Pay and Allowances.....	93	100	101	100	394
3. Investment Income.....	876	1,123	1,229	1,111	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	-17	198	1,063	160	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	347	460	478	508	1,793
6. NET NATIONAL INCOME AT FACTOR COST.....	4,268	5,031	6,186	5,255	20,740
7. Indirect Taxes less Subsidies.....	756	800	831	851	3,238
8. Depreciation Allowances and Similar Business Costs.....	652	712	744	770	2,878
9. Residual Error of Estimate.....	63	-3	-23	23	60
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,756)	(6,342)	(6,675)	(6,739)	(25,512)

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,172	1,038	1,291	1,227	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	255	375	428	423	1,481
4. New Non-Residential Construction.....	366	426	544	511	1,847
5. New Machinery and Equipment .....	401	563	489	494	1,947
6. Change in Inventories.....	-87	-4	879	-278	510
7. (Business Inventories only) <sup>3</sup> .....	(198)	(9)	(66)	(46)	(319)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430
10. Residual Error of Estimate.....	-62	3	23	-23	-59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956					1957	
I	II	III	IV	Year	I	II	III	IV	Year	I	II
520	390	413	433	1,756	490	394	448	468	1,800	509	386



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
3,261	3,510	3,727	3,786	14,284	3,607	3,813	1.
93	106	113	112	424	108	116	2.
1,070	1,276	1,290	1,146	4,782	1,085	1,240	3.
-2	111	1,267	232	1,608	37	140	4.
376	497	537	541	1,951	388	502	5.
4,798	5,500	6,934	5,817	23,049	5,225	5,811	6.
855	909	912	925	3,601	955	949	7.
710	780	819	842	3,151	771	840	8.
18	-58	-11	116	65	-44	-85	9.
6,381	7,131	8,654	7,700	29,866	6,907	7,515	10.
(6,383)	(7,020)	(7,387)	(7,468)	(28,258)	(6,870)	(7,375)	11.

EXPENDITURE, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
4,202	4,617	4,518	5,219	18,556	4,517	4,860	1.
1,189	1,138	1,502	1,380	5,209	1,232	1,202	2.
296	422	436	402	1,556	265	358	3.
436	589	789	735	2,549	547	743	4.
519	729	629	635	2,512	625	765	5.
110	24	986	-181	939	82	17	6.
(377)	(227)	(33)	(105)	(742)	(335)	(98)	7.
1,342	1,627	1,719	1,622	6,310	1,405	1,585	8.
-1,695	-2,072	-1,935	-1,997	-7,699	-1,811	-2,101	9.
-18	57	10	-115	-66	45	86	10.
6,381	7,131	8,654	7,700	29,866	6,907	7,515	11.

TABLE 3. SOURCES OF PERSONAL  
(millions)

1955					Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-100	-103	-107	-113	-423
3. Military Pay and Allowances.....	93	100	101	100	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	-38	215	1,050	155	1,382
5. Net Income of Non-Farm Unincorporated Business.....	347	460	478	508	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	463	489	484	521	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	536	419	391	385	1,731
8. Charitable Contributions by Corporations.....	6	8	9	8	31
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

1955					Year	
	I	II	III	IV		
Personal Direct Taxes:						
1.	Income Taxes.....	310	336	322	329	1,297
2.	Succession Duties.....	25	25	39	38	127
3.	Miscellaneous.....	25	16	10	16	67
4.	Total Personal Direct Taxes.....	360	377	371	383	1,491
Personal Expenditure on Consumer Goods and Services:						
5.	Non-Durable Goods.....	2,111	2,367	2,348	2,847	9,673
6.	Durable Goods.....	381	545	487	506	1,919
7.	Services <sup>1</sup> .....	1,370	1,402	1,334	1,441	5,547
8.	Total Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
Personal Saving:						
9.	Personal Saving Excluding Farm Inventory Change.....	287	62	423	88	860
10.	Farm Inventory Change.....	- 227	-9	765	-318	211
11.	Total Personal Saving.....	60	53	1,188	-230	1,071
12.	PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701
13.	(Personal Disposable Income) <sup>2</sup> .....	(3,922)	(4,367)	(5,357)	(4,564)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
3,261	3,510	3,727	3,786	14,284	3,607	3,813	1.
-111	-115	-119	-119	-464	-125	-123	2.
93	106	113	112	424	108	116	3.
-6	117	1,247	230	1,588	57	162	4.
376	497	537	541	1,951	388	502	5.
480	534	517	566	2,097	523	587	6.
541	419	404	401	1,765	592	470	7.
7	10	10	8	35	7	9	8.
6	6	7	7	26	6	6	9.
4,647	5,084	6,443	5,532	21,706	5,163	5,542	10.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
331	390	382	392	1,495	394	444	1.
37	49	31	29	146	31	32	2.
32	20	13	14	79	41	21	3.
400	459	426	435	1,720	466	497	4.
2,310	2,506	2,550	3,147	10,513	2,470	2,666	5.
428	605	516	512	2,061	457	574	6.
1,464	1,506	1,452	1,560	5,982	1,590	1,620	7.
4,202	4,617	4,518	5,219	18,556	4,517	4,860	8.
274	203	573	211	1,261	426	281	9.
-229	-195	926	-333	169	-246	-96	10.
45	8	1,499	-122	1,430	180	185	11.
4,647	5,084	6,443	5,532	21,706	5,163	5,542	12.
(4,247)	(4,625)	(6,017)	(5,097)	(19,986)	(4,697)	(5,045)	13.



TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Military Pay and Allowances.....	372	400	404	400	394
3.	Investment Income.....	3,864	4,304	4,512	4,676	4,339
Net Income of Unincorporated Business:						
4.	Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	1,312	1,448	1,412	1,444	1,404
5.	Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,752	1,776	1,812	1,832	1,793
6.	NET NATIONAL INCOME AT FACTOR COST.....	19,660	20,600	21,116	21,584	20,740
7.	Indirect Taxes less Subsidies.....	3,096	3,192	3,284	3,380	3,238
8.	Depreciation Allowances and Similar Business Costs.....	2,772	2,844	2,920	2,976	2,878
9.	Residual Error of Estimate.....	204	-12	76	-28	60
10.	GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916
11.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(24,420)	(25,176)	(25,984)	(26,468)	(25,512)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
2.	Government Expenditure on Goods and Services <sup>1</sup> .....	4,632	4,680	4,772	4,828	4,728
Gross Domestic Investment: <sup>2</sup>						
3.	New Residential Construction .....	1,376	1,444	1,532	1,572	1,481
4.	New Non-Residential Construction.....	1,776	1,772	1,856	1,984	1,847
5.	New Machinery and Equipment .....	1,748	1,884	2,040	2,116	1,947
6.	Change in Inventories.....	380	208	740	712	510
7.	(Business Inventories only) <sup>3</sup> .....	(276)	(-16)	(528)	(488)	(319)
8.	Exports of Goods and Services.....	5,560	5,680	5,868	5,904	5,753
9.	Deduct: Imports of Goods and Services.....	-6,028	-6,080	-6,668	-6,944	-6,430
10.	Residual Error of Estimate.....	-200	16	-76	24	-59
11.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.

NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
13,636	14,108	14,560	14,832	14,284	15,076	15,300	1.
372	424	452	448	424	456	456	2.
4,748	4,784	4,736	4,860	4,782	4,800	4,664	3.
1,576	1,584	1,568	1,704	1,608	1,292	1,236	4.
1,916	1,920	2,012	1,956	1,951	1,952	1,936	5.
22,248	22,820	23,328	23,800	23,049	23,576	23,592	6.
3,480	3,628	3,604	3,692	3,601	3,872	3,764	7.
3,048	3,112	3,176	3,268	3,151	3,308	3,376	8.
108	-32	28	156	65	-44	-4	9.
28,884	29,528	30,136	30,916	29,866	30,712	30,728	10.
(27,308)	(27,944)	(28,568)	(29,212)	(28,258)	(29,420)	(29,492)	11.

BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
17,936	18,284	18,808	19,196	18,556	19,536	19,484	1.
5,020	5,148	5,356	5,312	5,209	5,184	5,448	2.
1,584	1,612	1,548	1,480	1,556	1,424	1,368	3.
2,228	2,476	2,664	2,828	2,549	2,804	3,032	4.
2,268	2,452	2,624	2,704	2,512	2,716	2,672	5.
1,284	824	540	1,108	939	524	336	6.
(992)	(856)	(396)	(724)	(742)	(568)	(312)	7.
6,156	6,392	6,348	6,344	6,310	6,412	6,224	8.
-7,480	-7,692	-7,728	-7,896	-7,699	-7,932	-7,840	9.
-112	32	-24	-160	-66	44	4	10.
28,884	29,528	30,136	30,916	29,866	30,712	30,728	11.

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-408	-416	-428	-440	-423
3.	Military Pay and Allowances.....	372	400	404	400	394
4.	Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,224	1,516	1,360	1,428	1,382
5.	Net Income of Non-Farm Unincorporated Business.....	1,752	1,776	1,812	1,832	1,793
6.	Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,968	1,880	1,976	2,004	1,957
Transfer Payments to Persons:						
7.	From Government (Excluding Interest).....	1,760	1,756	1,708	1,700	1,731
8.	Charitable Contributions by Corporations.....	24	32	36	32	31
9.	Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10.	PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
Personal Direct Taxes:						
1.	Income Taxes.....	1,308	1,236	1,320	1,324	1,297
2.	Succession Duties.....	100	100	156	152	127
3.	Miscellaneous.....	64	64	64	76	67
4.	Total Personal Direct Taxes.....	1,472	1,400	1,540	1,552	1,491
Personal Expenditure on Consumer Goods and Services:						
5.	Non-Durable Goods.....	9,324	9,612	9,760	9,996	9,673
6.	Durable Goods.....	1,720	1,916	2,008	2,032	1,919
7.	Services <sup>1</sup> .....	5,444	5,492	5,564	5,688	5,547
8.	Total Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
9.	Total Personal Saving.....	1,116	1,220	1,000	948	1,071
10.	PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701
11.	(Personal Disposable Income) <sup>2</sup> .....	(17,604)	(18,240)	(18,332)	(18,664)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
13,636	14,108	14,560	14,832	14,284	15,076	15,300	1.
-452	-464	-476	-464	-464	-512	-496	2.
372	424	452	448	424	456	456	3.
1,560	1,608	1,488	1,696	1,588	1,372	1,324	4.
1,916	1,920	2,012	1,956	1,951	1,952	1,936	5.
2,044	2,056	2,112	2,176	2,097	2,224	2,268	6.
1,772	1,752	1,768	1,768	1,765	1,904	1,960	7.
28	40	40	32	35	28	36	8.
24	24	28	28	26	24	24	9.
20,900	21,468	21,984	22,472	21,706	22,524	22,808	10.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
1,392	1,432	1,564	1,592	1,495	1,664	1,692	1.
148	196	124	116	146	124	128	2.
76	80	88	72	79	96	84	3.
1,616	1,708	1,776	1,780	1,720	1,884	1,904	4.
10,196	10,272	10,668	10,916	10,513	11,036	11,108	5.
1,948	2,100	2,112	2,084	2,061	2,172	2,008	6.
5,792	5,912	6,028	6,196	5,982	6,328	6,368	7.
17,936	18,284	18,808	19,196	18,556	19,536	19,484	8.
1,348	1,476	1,400	1,496	1,430	1,104	1,420	9.
20,900	21,468	21,984	22,472	21,706	22,524	22,808	10.
(19,284)	(19,760)	(20,208)	(20,692)	(19,986)	(20,640)	(20,904)	11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	3,255	3,663	3,537	4,070	14,525
2.	Non-Durable Goods.....	1,909	2,136	2,114	2,565	8,724
3.	Durable Goods.....	346	506	466	474	1,792
4.	Services.....	1,000	1,021	957	1,031	4,009
5.	Government Expenditure on Goods and Services.....	873	757	951	883	3,464
Gross Domestic Investment:						
6.	New Residential Construction.....	197	287	323	317	1,124
7.	New Non-Residential Construction.....	275	319	402	368	1,364
8.	New Machinery and Equipment.....	324	457	392	382	1,555
9.	Change in Inventories.....	-185	-94	1,057	-392	386
10.	(Business Inventories only).....	(144)	(-13)	(12)	(-33)	(110)
11.	Exports of Goods and Services.....	1,084	1,249	1,366	1,299	4,998
12.	Deduct: Imports of Goods and Services.....	-1,246	-1,443	-1,489	-1,543	-5,721
13.	Residual Error of Estimate.....	-50	2	18	-18	-48
14.	GROSS NATIONAL EXPENDITURE.....	4,527	5,197	6,557	5,366	21,647

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

CONSTANT DOLLARS, BY QUARTERS, 1955-1957  
 FOR SEASONALITY <sup>1,2</sup>  
 of dollars)

1956				Year	1957		
I	II	III	IV		I	II	
3,533	3,888	3,764	4,317	15,502	3,661	3,926	1.
2,092	2,259	2,268	2,771	9,390	2,161	2,321	2.
395	559	483	465	1,902	402	505	3.
1,046	1,070	1,013	1,081	4,210	1,098	1,100	4.
845	781	1,046	945	3,617	816	780	5.
219	310	318	293	1,140	193	257	6.
307	412	551	508	1,778	374	506	7.
396	555	476	463	1,890	451	551	8.
-49	-141	1,134	-325	619	-2	-79	9.
(259)	(111)	(-28)	(26)	(368)	(252)	(57)	10.
1,143	1,377	1,451	1,367	5,338	1,166	1,302	11.
-1,455	-1,782	-1,675	-1,725	-6,637	-1,528	-1,763	12.
-14	44	8	-90	-52	34	65	13.
4,925	5,444	7,073	5,753	23,195	5,165	5,545	14.





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CANADA

**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**THIRD QUARTER**  
**1957**

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The Honourable Gordon Churchill, Minister of Trade and Commerce

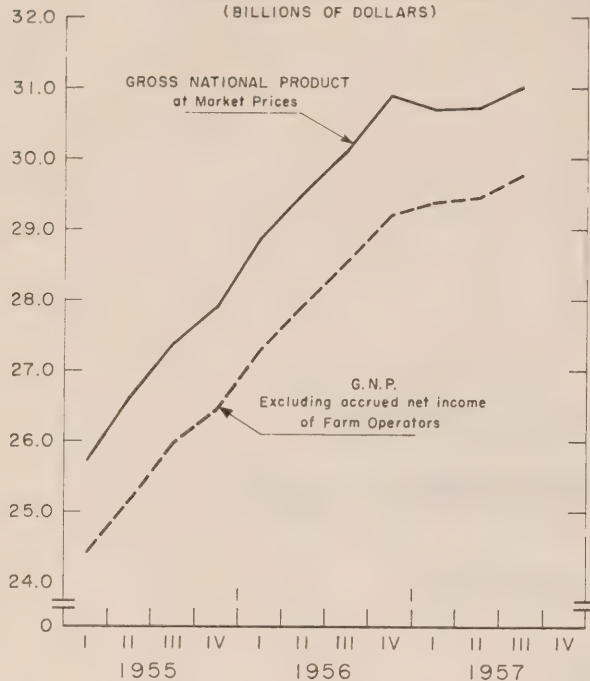
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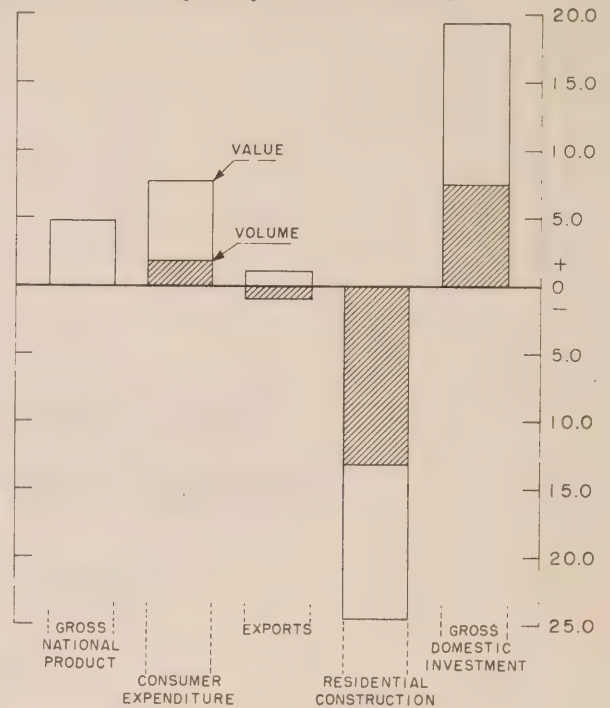
**GROSS NATIONAL PRODUCT IN THE FIRST NINE MONTHS OF 1957 AVERAGED 3 PER CENT ABOVE LAST YEAR'S ANNUAL AVERAGE**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)



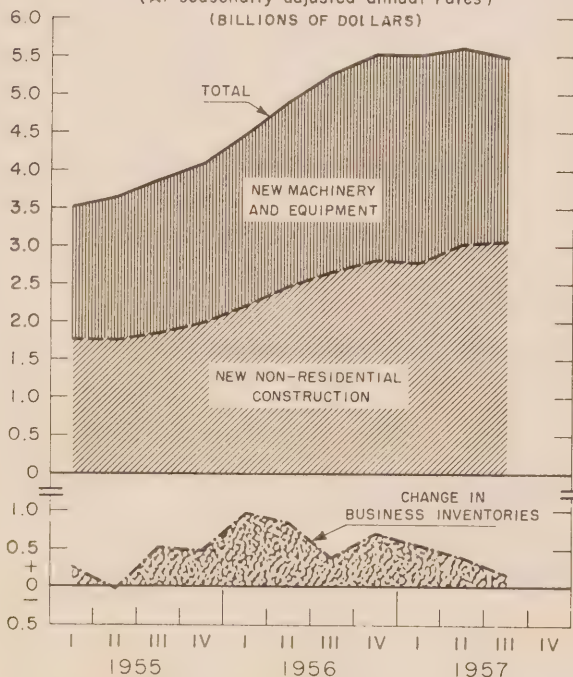
**PRICE FACTORS ACCOUNTED FOR MOST OF THE INCREASE IN GROSS NATIONAL PRODUCT IN 1957. THE VOLUME OF PRODUCTION WAS RELATIVELY UNCHANGED IN THE NINE MONTHS' COMPARISON**

(Percentage change in the nine months)



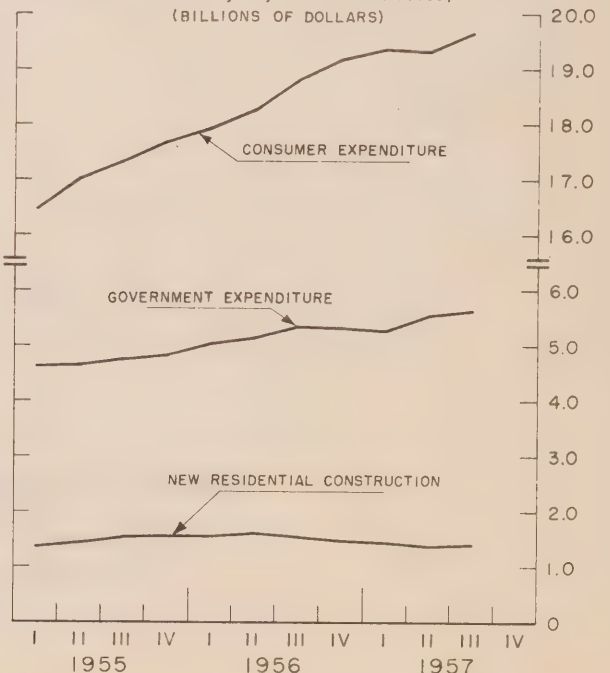
**THE GROWTH IN BUSINESS OUTLAYS FOR NEW PLANT AND EQUIPMENT SLACKENED DURING 1957, AND THE RATE OF BUSINESS INVENTORY ACCUMULATION DECLINED**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)



**CONSUMER AND GOVERNMENT EXPENDITURES ROSE FURTHER DURING THE YEAR. OUTLAYS FOR HOUSING, AFTER DECLINING SINCE EARLY IN 1956, MOVED UPWARD IN THE THIRD QUARTER OF 1957**

(At seasonally adjusted annual rates)  
(BILLIONS OF DOLLARS)





## INTRODUCTION

Gross National Product showed a slight advance in the third quarter, following the levelling off which occurred in the first half of the year. Seasonally adjusted, the nation's total output of goods and services was at an annual rate of \$31.0 billion, or about 1 per cent over the rate of the preceding two quarters. It is estimated that approximately one-half of the increase between the second and third quarters was accounted for by a further advance in final product prices, so that in volume terms, output of goods and services was substantially unchanged. Since the fourth quarter of 1956, there has been little change in the volume of the nation's total output, apart from the farm sector where a decline in crop production has affected the level of the statistical aggregates <sup>1</sup>.

The major factors in the third quarter movement of Gross National Product were a resumption of the upward trend in consumer expenditures, which had eased off in the second quarter; an increase in outlays for housing, which had been moving down since early in 1956; a rise in exports of goods and services, following upon the second quarter decline and reflecting larger shipments of iron ore and higher sales of animal products. At the same time, imports of goods and services fell slightly in the third quarter, contributing to some reduction in the current account deficit. On the income side, further gains occurred in labour income, reflecting mainly higher wage rates in some industrial groups. Other elements of personal income were also significantly higher in the third quarter. Corporation profits, seasonally adjusted, declined by 5 per cent.

### Components of Income and Expenditure (Per cent changes from 2nd to 3rd Quarter, 1957)

(Seasonally adjusted at annual rates)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc.....	+2	Personal goods and services.....	+2
Investment income.....	-2	Government goods and services.....	+1
Farm net income.....	-3	Residential construction.....	+2
Other unincorporated business..	+1	Non-residential construction.....	+1
		Machinery and equipment.....	-6
		Inventory change, total \$392 Mn. to \$16 Mn.	
		(Inventory change, business \$408 Mn. to \$188 Mn.)	
National Income.....	+1	Exports, goods and services.....	+4
Indirect taxes, etc.....	+1	Imports, goods and services.....	-1
Depreciation, etc.....	-		
Gross National Product....	+1	Gross National Expenditure.....	+1
Gross National Product ex			
farm net income.....	+1		

1. It is estimated that the value of crop production in 1957 was about \$350 million below that of the year 1956.

With the crop out-turn now known, and data covering three-quarters of the year's activity in the non-farm sector available, it is now possible to suggest an order of magnitude for the year 1957 as a whole. On the basis of present evidence, it seems likely that the Gross National Product in 1957 will be about 3 or 4 per cent above last year's figure of \$29.9 billion. With final product prices also higher by about the same amount in the first nine months of this year, compared with a year ago, the physical volume of output in 1957 will probably show little change from that of the year 1956. This would compare with a gain in the physical volume of output between 1955 and 1956 of about 7 per cent, and with a gain in the physical volume of output between 1954 and 1955 of about 9 per cent. It is evident from these figures that a substantial levelling off in economic activity, compared with the very rapid advances of the preceding two years, occurred in 1957.

It should be noted in this connection that the stability in the total volume of output in 1957 takes account of a sharp drop in crop production. The decline in grain output represents about 1 per cent of the Gross National Product. The non-farm Gross National Product in 1957 may therefore show a somewhat larger increase than the total, amounting to about 1 per cent in volume terms.

The significant changes which have occurred on the expenditure side during the present year are shown in the opposite table, in the perspective of the two previous years. It will be recalled that in 1955 and 1956, demand was expanding very rapidly, and sharp quarter-to-quarter increases were occurring in non-farm output of goods and services. Since the latter part of 1956, however, the quarter-to-quarter advance in total final purchases has slackened appreciably, falling to a low rate of increase in the first half of this year, though showing further strength again in the third quarter. The rapid expansion of investment outlays which has characterized the past two years appears to have moderated, and machinery and equipment investment has been declining for two successive quarters. At the same time, the upsurge in imports, which was a notable feature of 1956, subsided in the past two quarters, and declines occurred in the seasonally adjusted value of imports of goods and services. Business inventory accumulation, which reached its peak in the middle of 1956, has declined steadily in each of the three quarters of 1957, and the seasonally adjusted rate in the third quarter was less than one-third of the rate for the year 1956 as a whole.

The table below shows the value changes in the main expenditure components for the periods 1954-1955, 1955-1956, and the first nine months of 1957, compared with the annual average for 1956.

Value Changes in Selected Components of Gross National Expenditure,  
1955, 1956 and 1957

	Per cent change 1954 to 1955	Per cent change 1955 to 1956	Per cent change 1956 annual to 1957 average of three quarters*
Personal Expenditure.....	8	8	5
Government Expenditure.....	7	10	6
Residential Construction.....	27	5	-10
Non-Residential Construction.....	11	38	16
Machinery and Equipment.....	6	29	3
Exports.....	12	10	1
Total Final Purchases (ex inventories)....	9	12	4
Imports of Goods and Services.....	15	20	2
Gross National Expenditure.....	11	11	3

\* 1957 quarterly averages at seasonally adjusted annual rates.



Quarter-to-Quarter Changes in Final Purchases  
(S A A R)

	Change 1Q-2Q 1955	Change 2Q-3Q 1955	Change 3Q-4Q 1955	Change 4Q '55 to 1Q, 1956	Change 1Q-2Q 1956	Change 2Q-3Q 1956	Change 3Q-4Q 1956	Change 4Q '56 to 1Q, 1957	Change 1Q-2Q 1957	Change 2Q-3Q 1957
Personal Expenditure.....	532	312	384	220	348	524	388	172	-52	360
Government Expenditure	48	92	56	192	128	208	-44	-36	308	76
Residential Construction	68	88	40	12	28	-64	-68	-48	-56	28
Non-Residential Construction.....	-4	84	128	244	248	188	164	-40	248	28
Machinery and Equipment	136	156	76	152	184	172	80	20	-148	-152
Exports.....	120	188	36	252	236	-44	-4	76	-216	240
Total Final Purchases	900	920	720	1,072	1,172	984	516	144	84	580

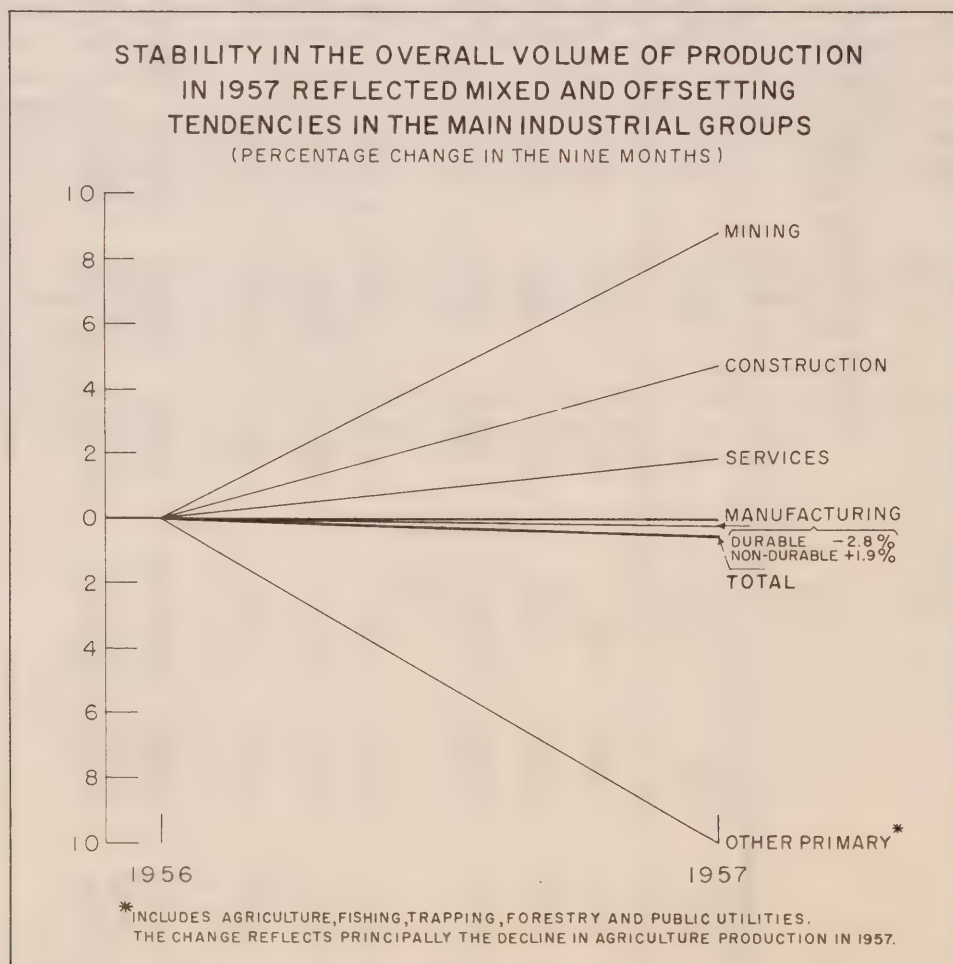
Quarter-to-Quarter Changes in Other Selected Items  
(S A A R)

"Shift" in business inventories (change in the change).....	-292	544	-40	504	-136	-460	328	-156	-160	-220
Change in Imports.....	52	588	276	536	212	36	168	28	-56	-60
Change in G.N.P. (ex farm)	756	808	484	840	636	624	644	188	60	336



## Employment and Production

The change in employment in the first nine months of 1957 compared with the same period of 1956 has not paralleled that of production. Persons with jobs in the non-agricultural sector of the economy were 3 to 4 per cent higher than a year ago in the nine months' comparison, but non-agricultural production during the same period is estimated to have risen by only about 1 per cent. This divergence between the output and the employment indicators is a matter of considerable interest to the analyst since it suggests a decline in output per person employed. A number of factors suggest themselves as possible explanations of this development. These factors may be discussed with reference to manufacturing, for which more data are available than for any other large industry. Firstly, there appears to have been a decline in average hours worked per week in the period under consideration. Average hours worked per week in the manufacturing industry declined by 1.2 per cent in the first nine months of this year, compared with the same period of 1956. Secondly, it is possible that employers are reluctant to dismiss workers in the initial stages of production cut-backs, preferring to wait until the outlook for new orders has clarified. Finally, there is some evidence to suggest that in both Canada and the United States the very large additions to plant capacity in recent years have increased the need for administrative and overhead staff relative to the requirements for "production" workers. Thus, in the manufacturing industry in the United States, the number of non-production workers has actually increased at a time when production workers were being cut back. In Canada, there has been a similar shift towards a larger proportion of office and other staff-side workers in the manufacturing industry, relative to the proportion employed on the production line.



The labour force averaged 5,890 thousand persons in the first nine months of this year, compared with 5,686 thousand in the same period of 1956. This unusually large increase, 204,000, approximately double that of the average annual increase during the past few years, is attributable in part to the heavy flow of immigrants into Canada in 1957, and in part to a rise in participation rates. In the same period the increase in the number of persons with jobs was 156,000. The number of persons without jobs and seeking work averaged about 25 per cent higher than in the same period a year ago and as a percentage of the labour force averaged 4.2 per cent, compared with 3.5 per cent in the first nine months of 1956.

The overall stability in the volume of total output in 1957 has concealed mixed and offsetting tendencies in the main industrial groups. In the first nine months of this year, manufacturing output has remained level, with a drop of 3 per cent in durable goods production approximately offset by an increase in the non-durable manufacturing sector. The main factors in the drop in durable goods output were declines in production of wood products, electrical apparatus and supplies, and non-ferrous metal products. Production of iron and steel products was also lower in the nine months; this group declined by 13 per cent, on a seasonally adjusted basis, from March to September, 1957.

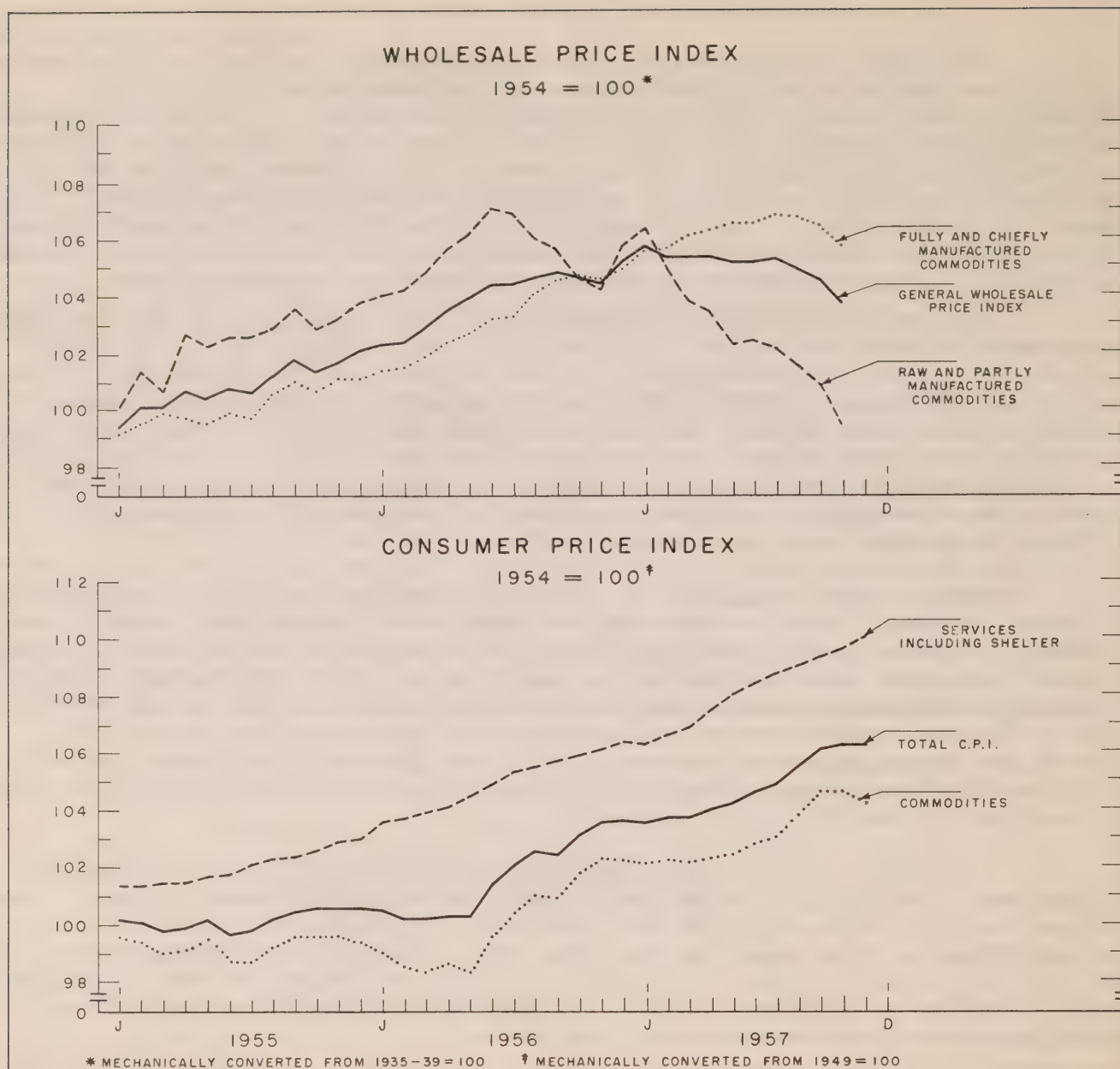
Primary goods production was in general lower in the first nine months of 1957 than a year ago, with a sharp drop occurring in the agricultural sector, reflecting the lower level of crop production. A reduction in output in the forestry industry this year was associated with a weakening in markets for lumber. Output in mining, quarrying, and oil wells, on the other hand, was higher by almost 9 per cent in the nine months' comparison; however, this group has also shown a drop between the second and third quarters of this year (seasonally adjusted) reflecting lower levels of non-metal production and oil. Output in the public utilities group has continued higher throughout the year.

Almost all of the service-producing industries in 1957 were operating at a higher level than in the previous year. Retail and wholesale trade, finance, insurance and real estate, government, and other services all showed advances in the year, ranging from 1 to 5 per cent. On the other hand, output in the transportation, storage and communications group declined slightly in 1957, reflecting the drop in railway freight traffic and passenger service. Freight car loadings were down in every major commodity group except newsprint and iron ore.

Output in the construction industry was higher in 1957, as the large-scale programme of non-residential building more than counter-balanced the sharp drop in housing construction.

These year-over-year developments in the main industrial groups were largely sustained in the third quarter (on a seasonally adjusted basis), with a continuation of gains in the service-producing industries, declines in some of the primary industries, a further rise in output in non-durable manufacturing production and a continuation of the drop in durable manufacturing production. It may be noted that the index of durable manufacturing production declined by 10 per cent from January to September 1957, seasonally adjusted.





## Prices

Final product prices continued to move upward in the third quarter of 1957, and it is estimated that the price element in Gross National Product was higher by about one-half of 1 per cent. The third quarter increase is attributable mainly to an advance in the price of consumer goods and services (the consumer price index rose by about 1 per cent in the quarter, with consumer expenditure having a weight of about 60 per cent in Gross National Expenditure), but small price gains were also evident in the investment components; both export and import prices showed a slight decline. Since the end of 1956, the advance in final product prices has not been accompanied by price increases at the wholesale level; from the fourth quarter of 1956 through to the third quarter of 1957, the wholesale price index showed virtually no change, compared with an advance of 3 per cent for the corresponding period of 1956. The prices of raw and partly manufactured goods, and of industrial materials have declined by 3 and 4 per cent respectively in this period, compared with gains of 3 per cent in the same period a year ago. Fully and chiefly manufactured goods advanced by 2 per cent from the end



of 1956 to the third quarter of 1957, compared with an advance of 3 per cent for the same period of the preceding year. From the second to third quarters of this year, the wholesale price index declined by about one-half of 1 per cent. The impact of these changes in wholesale prices is to some extent reflected in the valuation of inventories by business. Data to date indicate that the inventory valuation adjustment made for National Accounts purposes will be substantially less for the year 1957 than the \$300 million adjustment made in 1956.

The following table shows the percentage changes from the same period of the preceding year in the implicit price indexes of the components of Gross National Expenditure.

	<u>Nine Months, 1957</u> Nine Months, 1956	<u>Year, 1956</u> Year, 1955
Personal Expenditure.....	+ 3.9	+ 1.4
Goods.....	+ 3.5	+ 1.1
(i) Durable.....	+ 4.8	+ 1.2
(ii) Non-Durable.....	+ 3.2	+ 1.0
Services.....	+ 4.3	+ 2.7
Government Expenditure.....	+ 5.7	+ 5.5
Gross Domestic Investment.....	+ 4.0	+ 5.4
Residential Construction.....	+ 2.1	+ 3.6
Non-Residential Construction.....	+ 2.8	+ 5.9
Machinery and Equipment.....	+ 5.6	+ 6.2
Exports.....	+ 1.9	+ 2.7
Imports.....	+ 2.1	+ 3.2
G.N.E. (excluding inventories).....	+ 4.3	+ 3.1

It is apparent that the price advance in the first nine months of 1957 compared with the preceding year has borne more heavily upon the consumer sector than in the 1955 to 1956 comparison, and that there has been a somewhat smaller price rise in investment goods and in exports and imports of goods and services than occurred in the earlier period. The price increase in the personal expenditure component in 1957 affected both goods and services in much the same degree, whereas in 1956 the price rise in the services segment was substantially greater than in the goods component.

To summarize, the year 1957 has been characterized by the following developments:

1. Stability in the total volume of production, after the sharp increases of 1955 and 1956;
2. A continuation of advances in final product prices, with some decline in prices at the basic commodity level;
3. Year-to-year gains in fixed capital investment expenditures by business for plant, machinery and equipment but a levelling off in the rate of these expenditures during the course of the current year;

4. A gain of 3 per cent in National Income, reflecting sharp gains in labour income, partly offset by a drop in crop production, and a decline in corporation profits of about 5 per cent;

5. Gains in personal income of about 5 per cent, which have been closely paralleled by advances in personal expenditure on consumer goods and services;

6. A strengthening of outlays for housing, following the successive declines since early in 1956;

7. Little change in the year-to-year levels of exports and imports of goods and services, following the sharp increases of 1955 and 1956;

8. A reduction in the rate of business inventory accumulation.

#### COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Personal Expenditure on Consumer Goods and Services

Consumer expenditure, which had eased slightly in the second quarter, mainly as a result of reduced sales of automobiles, resumed its upward course in the third. The seasonally adjusted estimate of \$19,676 million represents about a 2 per cent increase from that of the preceding period, half of which is accounted for by higher prices.

All three main categories registered a higher rate of spending, with the major increase in durable goods, which were up 4 per cent compared with 2 per cent in non-durables and 2 per cent in services. Purchases were higher in all the non-durable groups except fuel and auto accessories. The largest rate of increase was in purchases of clothing, which had registered no increase in the first half of the year. Most of the gain in durables is accounted for by a rise in sales of automobiles, but other durable sales were also somewhat higher in the quarter.

A comparison of the first three quarters of 1957 with the same period of 1956 shows consumer expenditure up some 6 per cent, of which nearly 4 per cent represents the higher prices prevailing in the consumer sector. The increase in volume terms is thus one of the smallest of the post-war period and represents a slight decline in real consumption on a per capita basis.

The same comparison reveals a distinct shift in the pattern of spending between the two periods. Whereas expenditure on durables showed little change, expenditure on non-durables and services was up 6 and 8 per cent respectively. These shifts are explained only in part by differential price movements. The rise in prices was most pronounced in durables, some 5 per cent, with services and non-durables showing gains of 4 and 3 per cent respectively. In real terms, expenditure on services and non-durables was up about 3 per cent but purchases of durables declined by about 5 per cent, a decline which is more than accounted for by a substantial drop in purchases of automobiles. Purchases of other durables were slightly higher in real terms.

The high level of expenditure on durables in 1956 was associated with a very considerable expansion in the volume of consumer credit outstanding. Whereas in the first nine months of 1956 the balances outstanding on the books of instalment finance companies in respect of consumers' goods advanced nearly 30 per cent, in the same period of 1957 the advance was only 9 per cent. The major part of consumer credit represents the financing of purchases of automobiles. Repayments on automobile purchases in the first nine months of the year have been substantially in excess of the same period last year while new credit extended was below last year.



The rate of saving out of disposable income in the first nine months of 1957 was about 7 per cent, virtually the same as in the corresponding period of 1956.

### Government Expenditure on Goods and Services

Government expenditure on goods and services was \$5,660 million, at seasonally adjusted annual rates, in the third quarter, slightly above the level of the second quarter.

Compared with the same quarter of last year, government expenditure was higher by 6 per cent. Federal expenditures were little changed in aggregate, as a fall in defence outlays was offset by increased outlays for other purposes. Provincial and municipal expenditures were up 9 and 14 per cent respectively.

When the first nine months of this year are compared with the same period of 1956, government expenditure on goods and services is approximately 7 per cent higher.

### Gross Domestic Investment (excluding inventories)

Investment in durable physical assets in the third quarter is estimated to have been \$6,892 million, that is, about 1 1/2 per cent below the level of the second quarter. Both the construction components rose, but outlays for machinery and equipment were considerably lower, as they had been in the second quarter. The up-turn in outlays for residential construction reflects the recovery in housing starts that began in the Spring and is the first increase to occur since mid-1956. Seasonally adjusted, housing starts, which had begun to decline in the last quarter of 1955, rose from 79,100 in the first quarter of 1957 to 121,400 in the third.

The pressure on prices in the investment goods sector appears to have eased. A small element of price increase is embodied in the estimate of the construction components. Prices of machinery and equipment showed little change from the second to the third quarter.

In the first three quarters of 1957, investment in durable physical assets was at a rate of \$6,942 million, that is to say about 7 per cent above the corresponding period of 1956. Non-residential construction and machinery and equipment investment was higher by 21 and 5 per cent respectively. It may be noted that the trend of investment outlays does not conform to the expectations expressed in the mid-year survey of investment intentions which indicated a rise of 12 per cent in aggregate and of 27 and 13 per cent in non-residential construction and machinery and equipment respectively. On the other hand, outlays for housing were in excess of what was anticipated at mid-year.

### Investment in Inventories

The tendency toward a lower rate of investment in business inventories, which has been apparent in the seasonally adjusted data since early 1956, continued in the third quarter, when accumulation amounted to \$188 million, compared with \$408 million in the second quarter and \$992 million in the first quarter of 1956. The movements of farm and non-farm inventories were nearly offsetting so that net investment in inventories in the third quarter is estimated to be \$16 million at seasonally adjusted annual rates.



The lower rate of investment in business inventories was particularly evident in retail and wholesale trade. In retail trade, after seasonal adjustment, there was some easing of investment in both durable and non-durable goods. The reduction in durables occurred in items held by furniture and radio and appliances stores and in stocks of farm implement dealers; in non-durables, the most important factor was a shift from accumulation in the food group in the second quarter to liquidation in the third. In wholesale trade, the rate of investment in inventories fell off significantly in the third quarter. The liquidation of stocks of durable goods was more than offset by accumulation of non-durables, principally stocks of food.

The rate of accumulation of inventories in manufacturing industries remained high in the third quarter, after allowing for normal seasonal change. Accumulation was most apparent in the food and iron and steel industries. Most of the other manufacturing industries experienced moderate investment in inventories and liquidation occurred in only two or three industries. The ratio of total inventories to shipments and that of finished goods to shipments in the third quarter was higher than at the same time in either of the last two years.

The element of higher prices in the value of business inventories was less significant in the third quarter than it had been throughout 1956 or the earlier part of 1957, reflecting the decline in some price series and the slackened rate of increase in others.

A comparison of the first nine months of 1957 with the same period of 1956, shows that the rate of accumulation of business inventories in the current year was only about half the rate of the previous year. The decline was general among the industry groups but in this comparison was particularly pronounced in manufacturing. The falling off in the rate of investment in inventories was widespread within manufacturing groups, being most evident in the wood products, electrical apparatus, transportation equipment and pulp and paper industries.

#### Exports and Imports of Goods and Services

Exports of goods and services in the third quarter amounted to \$6,444 million at seasonally adjusted annual rates, a rise of nearly 4 per cent from the second quarter. Special elements of strength appear to account for the increase.

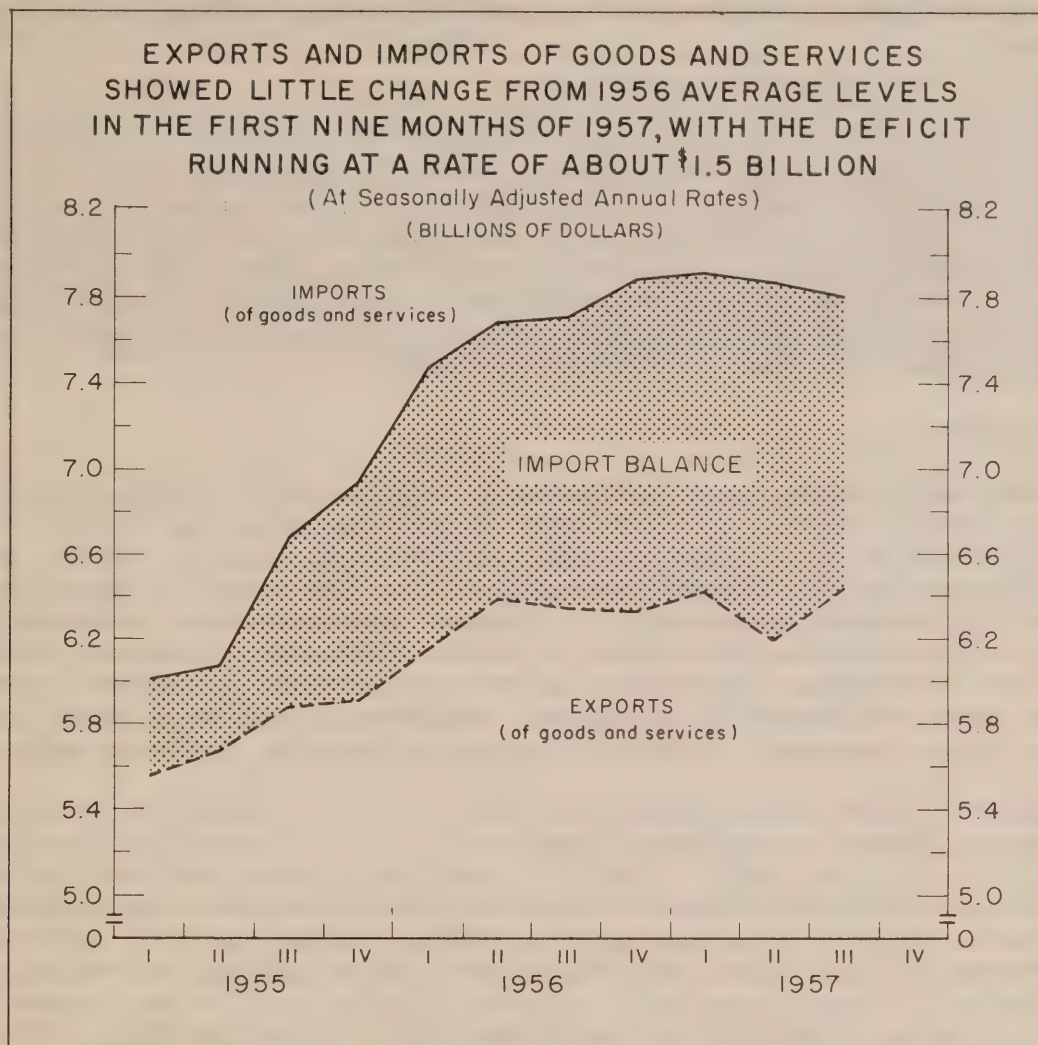
Since receipts from invisibles were lower, after seasonal adjustment, the increase in exports of goods and services is attributable to a more than 6 per cent rise in merchandise items. Major gains occurred in two groups, animal products and iron and its products, where the rates of increase were 57 and 17 per cent respectively. Most other commodity groups showed comparatively little change.

Imports of goods and services, at a seasonally adjusted annual rate of \$7,808 million, declined slightly, as they had done in the second quarter, following nearly three years of steady quarter-to-quarter growth. The aggregate reflects a falling off in invisible items and small declines among a number of commodity groups.

Consequent upon these movements in exports and imports of goods and services the deficit on current international account, seasonally adjusted, fell from \$1,664 million in the second quarter to \$1,364 million in the third.

In the nine months' comparison, exports of goods and services were somewhat higher, with a rise in merchandise items partially offset by a fall in receipts from invisibles. The pattern of commodity trade shows shifts among the groups.

Major increases occurred in non-metallic minerals, iron and its products (reflecting the expanded output of iron ore), chemical products and non-ferrous metals. Exports of uranium accounted for a substantial part of the rise in merchandise exports in 1957. On the other hand, exports of vegetable products were substantially lower, reflecting reduced sales of wheat.



Imports of goods and services in the first nine months of 1957 were about 3 per cent above the level of the same period of 1956, with increases in both visible and invisible items. The increase in merchandise items is the outcome of comparatively small, partially offsetting, changes among the main commodity groups. In this comparison, imports of iron and its products were only slightly higher than in the corresponding period of last year.

The deficit for the first nine months of 1957 was at an annual rate of close to \$1.5 billion, compared with \$1.4 billion for the year 1956 as a whole.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Labour Income

Labour income for the third quarter is estimated to be \$15,616 million, at seasonally adjusted annual rates, about 2 per cent higher than in the preceding quarter. Higher average wage rates, and somewhat higher employment in some industries,



contributed to the gain. Labour income in manufacturing was slightly higher, despite some easing in employment. The principal gains in labour income occurred in the service-producing industries, including public utilities, transportation, communication and storage, finance, insurance and real estate, where they were of the order of 3 or 4 per cent. Comparable gains also occurred in mining. A particularly large increase is registered in public service, reflecting the fact that the increase in salaries in the Federal service was retroactive to May, but was not paid until the third quarter.

A comparison of the first nine months of 1957 with the same period of 1956 shows labour income higher by nearly nine per cent. The relatively large gains are to be found in the service and trade groups, where, in percentage terms, they are comparable in magnitude with those made in the nine months' comparison of 1956 with 1955. Labour income in construction, which had shown conspicuously large increases in the earlier comparison, was higher by less than 5 per cent in the first nine months of this year. Manufacturing shows a gain of over 6 per cent, of which the major part represents higher average hourly earnings, since a somewhat higher level of employment was partially offset by a reduction in hours of work.

### Investment Income

Investment income was at a seasonally adjusted annual rate of \$4,604 million in the third quarter, about 2 per cent lower than in the preceding quarter. The major factor in this decline was a 5 per cent drop in corporate profits. It may be noted that profits in most of the industry groups fell from the second to the third quarter with substantial declines taking place in finance, transportation, communication and storage and public utilities and wholesale trade. There was a moderate decline in profits in iron and steel. The changes in the other private investment income components were mixed and partially offsetting, resulting in a rise of about 2 per cent. On the other hand, government investment income was lower by 3 1/2 per cent.

When the first three quarters of 1957 are compared with the same period of 1956, investment income is down about 1 per cent. In this comparison, corporate profits were down by 6 per cent. Since dividends paid abroad were substantially higher, corporate profits entering into national income were down even more sharply. Major declines occurred in wood and paper products, non-ferrous metal products, and mining, quarrying and oil wells, reflecting lower prices and reduced activity in certain segments of these industries. Moderately higher profits were earned in retail trade, finance, insurance and real estate and in iron and steel, and the rise in profits in products of petroleum and coal was quite substantial.

In the nine months' comparison, the trading profits of government enterprises are appreciably lower, reflecting mainly a reduction in earnings of the Canadian National Railways. Other elements of investment income show varying rates of increase, the investment income received by individuals being 8 per cent higher, reflecting increases in interest as well as in rents and dividends.

### Personal Income

Personal income in the third quarter was \$23,240 million at seasonally adjusted annual rates, about 2 per cent higher than in the second quarter. The trend of labour income has already been discussed. Net farm income shows a considerable decline in the third quarter, reflecting the fact that there were no grain adjustment payments made by the Wheat Board in the third quarter, following substantial outlays in the second. Military pay and allowances rose some 12 per cent, reflecting, as did labour income in government services, the higher rates of pay which were retroactive to May, but which were paid out in the third quarter.



There was a notable advance, about 9 per cent, in transfer payments from governments. Several factors account for this increase: the rise in pensions payable under the old age security scheme, the rise in unemployment insurance benefits consequent upon the larger volume of unemployment (seasonally adjusted), and the special dividend paid to residents of Alberta out of oil royalties.

Since personal direct taxes were higher by nearly 4 per cent, disposable income rose by a little over 1 per cent.

The rise of 7 per cent in personal income in the first nine months of 1957 compared with the corresponding period of the preceding year was considerably in excess of the advance in the National Income. This development reflects, in part, a further rise in dividend payments despite the fall in corporation profits, and a significantly higher level of transfer payments from governments. With direct personal taxes showing a gain of about 13 per cent in the nine months' comparison, disposable income was up by about 6 per cent. It should be noted, however, that consumer prices were higher by about 4 per cent in the year-to-year comparison, and disposable income in real terms showed only a moderate rise over 1956.

TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

1955					
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Military Pay and Allowances.....	93	100	101	100	394
3. Investment Income.....	876	1,123	1,229	1,111	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	-17	198	1,063	160	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	347	460	478	508	1,792
6. NET NATIONAL INCOME AT FACTOR COST.....	4,268	5,031	6,186	5,255	20,740
7. Indirect Taxes less Subsidies.....	756	800	831	851	3,238
8. Depreciation Allowances and Similar Business Costs.....	652	712	744	770	2,878
9. Residual Error of Estimate.....	63	-3	-23	23	60
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,756)	(6,342)	(6,675)	(6,739)	(25,512)

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

1955					
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,172	1,038	1,291	1,227	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction .....	255	375	428	423	1,481
4. New Non-Residential Construction.....	366	426	544	511	1,847
5. New Machinery and Equipment .....	401	563	489	494	1,947
6. Change in Inventories.....	-87	-4	879	-278	510
7. (Business Inventories only) <sup>3</sup> .....	(198)	(9)	(66)	(46)	(319)
8. Exports of Goods and Services.....	1,217	1,437	1,581	1,518	5,753
9. Deduct: Imports of Goods and Services.....	-1,385	-1,612	-1,666	-1,767	-6,430
10. Residual Error of Estimate.....	-62	3	23	-23	-59
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,739	6,540	7,738	6,899	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956					1957		
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III
520	390	413	433	1,756	490	394	448	468	1,800	509	386	442

NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,995	1.
93	106	113	112	424	108	116	131	2.
1,070	1,276	1,290	1,146	4,782	1,085	1,244	1,260	3.
-2	111	1,267	232	1,608	37	104	916	4.
376	497	537	541	1,951	388	502	542	5.
4,798	5,500	6,934	5,817	23,049	5,225	5,776	6,844	6.
855	909	912	925	3,601	955	949	964	7.
710	780	819	842	3,151	785	854	873	8.
18	-58	-11	116	65	-34	-93	-29	9.
6,381	7,131	8,654	7,700	29,866	6,931	7,486	8,652	10.
(6,383)	(7,020)	(7,387)	(7,468)	(28,258)	(6,894)	(7,382)	(7,736)	11.

EXPENDITURE, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
4,202	4,617	4,518	5,219	18,556	4,517	4,854	4,758	1.
1,189	1,138	1,502	1,380	5,209	1,259	1,231	1,590	2.
296	422	436	402	1,556	265	358	400	3.
436	589	789	735	2,549	549	735	904	4.
519	729	629	635	2,512	630	753	576	5.
110	24	986	-181	939	82	-7	581	6.
(377)	(227)	(33)	(105)	(742)	(335)	(111)	(-61)	7.
1,342	1,627	1,719	1,622	6,310	1,405	1,573	1,760	8.
-1,695	-2,072	-1,935	-1,997	-7,699	-1,810	-2,104	-1,946	9.
-18	57	10	-115	-66	34	93	29	10.
6,381	7,131	8,654	7,700	29,866	6,931	7,486	8,652	11.



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-100	-103	-107	-113	-423
3. Military Pay and Allowances.....	93	100	101	100	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	-38	215	1,050	155	1,382
5. Net Income of Non-Farm Unincorporated Business.....	347	460	478	508	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	463	489	484	521	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	536	419	391	385	1,731
8. Charitable Contributions by Corporations.....	6	8	9	8	31
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	310	336	322	329	1,297
2. Succession Duties.....	25	25	39	38	127
3. Miscellaneous.....	25	16	10	16	67
4. Total Personal Direct Taxes.....	360	377	371	383	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	2,111	2,367	2,348	2,847	9,673
6. Durable Goods.....	381	545	487	506	1,919
7. Services <sup>1</sup> .....	1,370	1,402	1,334	1,441	5,547
8. Total Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.....	287	62	423	88	860
10. Farm Inventory Change.....	-227	-9	765	-318	211
11. Total Personal Saving.....	60	53	1,188	-230	1,071
12. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701
13. (Personal Disposable Income) <sup>2</sup> .....	(3,922)	(4,367)	(5,357)	(4,564)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,995	1.
-111	-115	-119	-119	-464	-125	-123	-132	2.
93	106	113	112	424	108	116	131	3.
-6	117	1,247	230	1,588	57	126	891	4.
376	497	537	541	1,951	388	502	542	5.
480	534	517	566	2,097	523	587	567	6.
541	419	404	401	1,765	592	470	488	7.
7	10	10	8	35	7	9	9	8.
6	6	7	7	26	6	6	7	9.
4,647	5,084	6,443	5,532	21,706	5,163	5,503	6,498	10.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
331	390	382	392	1,495	394	444	424	1.
37	49	31	29	146	31	32	32	2.
32	20	13	14	79	41	21	16	3.
400	459	426	435	1,720	466	497	472	4.
2,310	2,506	2,550	3,147	10,513	2,470	2,661	2,685	5.
428	605	516	512	2,061	457	574	512	6.
1,464	1,506	1,452	1,560	5,982	1,590	1,619	1,561	7.
4,202	4,617	4,518	5,219	18,556	4,517	4,854	4,758	8.
274	203	573	211	1,261	426	285	643	9.
-229	-195	926	-333	169	-246	-133	625	10.
45	8	1,499	-122	1,430	180	152	1,268	11.
4,647	5,084	6,443	5,532	21,706	5,163	5,503	6,498	12.
(4,247)	(4,625)	(6,017)	(5,097)	(19,986)	(4,697)	(5,006)	(6,026)	13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2.	Military Pay and Allowances.....	372	400	404	400	394
3.	Investment Income.....	3,864	4,304	4,512	4,676	4,339
Net Income of Unincorporated Business:						
4.	Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> ..	1,312	1,448	1,412	1,444	1,404
5.	Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,752	1,776	1,812	1,832	1,793
6.	NET NATIONAL INCOME AT FACTOR COST.....	19,660	20,600	21,116	21,584	20,740
7.	Indirect Taxes less Subsidies.....	3,096	3,192	3,284	3,380	3,238
8.	Depreciation Allowances and Similar Business Costs.....	2,772	2,844	2,920	2,976	2,878
9.	Residual Error of Estimate.....	204	-12	76	-28	60
10.	GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916
11.	(Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(24,420)	(25,176)	(25,984)	(26,468)	(25,512)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
2.	Government Expenditure on Goods and Services <sup>1</sup> .....	4,632	4,680	4,772	4,828	4,728
Gross Domestic Investment: <sup>2</sup>						
3.	New Residential Construction .....	1,376	1,444	1,532	1,572	1,481
4.	New Non-Residential Construction.....	1,776	1,772	1,856	1,984	1,847
5.	New Machinery and Equipment .....	1,748	1,884	2,040	2,116	1,947
6.	Change in Inventories.....	380	208	740	712	510
7.	(Business Inventories only) <sup>3</sup> .....	(276)	(-16)	(528)	(488)	(319)
8.	Exports of Goods and Services.....	5,560	5,680	5,868	5,904	5,753
9.	Deduct: Imports of Goods and Services.....	-6,028	-6,080	-6,668	-6,944	-6,430
10.	Residual Error of Estimate.....	-200	16	-76	24	-59
11.	GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,732	26,624	27,396	27,912	26,916

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
13,636	14,108	14,560	14,832	14,284	15,076	15,288	15,616	1.
372	424	452	448	424	456	456	512	2.
4,748	4,784	4,736	4,860	4,782	4,800	4,696	4,604	3.
1,576	1,584	1,568	1,704	1,608	1,316	1,276	1,232	4.
1,916	1,920	2,012	1,956	1,951	1,964	1,960	1,988	5.
22,248	22,820	23,328	23,800	23,049	23,612	23,676	23,952	6.
3,480	3,628	3,604	3,692	3,601	3,872	3,764	3,800	7.
3,048	3,112	3,176	3,268	3,151	3,340	3,416	3,424	8.
108	-32	28	156	65	-108	-120	-148	9.
28,884	29,528	30,136	30,916	29,866	30,716	30,736	31,028	10.
(27,308)	(27,944)	(28,568)	(29,212)	(28,258)	(29,400)	(29,460)	(29,796)	11.

BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
17,936	18,284	18,808	19,196	18,556	19,368	19,316	19,676	1.
5,020	5,148	5,356	5,312	5,209	5,276	5,584	5,660	2.
1,584	1,612	1,548	1,480	1,556	1,432	1,376	1,404	3.
2,228	2,476	2,664	2,828	2,549	2,788	3,036	3,064	4.
2,268	2,452	2,624	2,704	2,512	2,724	2,576	2,424	5.
1,284	824	540	1,108	939	524	392	16	6.
(992)	(856)	(396)	(724)	(742)	(568)	(408)	(188)	7.
6,156	6,392	6,348	6,344	6,310	6,420	6,204	6,444	8.
-7,480	-7,692	-7,728	-7,896	-7,699	-7,924	-7,868	-7,808	9.
-112	32	-24	-160	-66	108	120	148	10.
28,884	29,528	30,136	30,916	29,866	30,716	30,736	31,028	11.

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

1955					
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-408	-416	-428	-440	-423
3. Military Pay and Allowances.....	372	400	404	400	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,224	1,516	1,360	1,428	1,382
5. Net Income of Non-Farm Unincorporated Business.....	1,752	1,776	1,812	1,832	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,968	1,880	1,976	2,004	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,760	1,756	1,708	1,700	1,731
8. Charitable Contributions by Corporations.....	24	32	36	32	31
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10. PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

1955					
	I	II	III	IV	Year
Personal Direct Taxes:					
1. Income Taxes.....	1,308	1,236	1,320	1,324	1,297
2. Succession Duties.....	100	100	156	152	127
3. Miscellaneous.....	64	64	64	76	67
4. Total Personal Direct Taxes.....	1,472	1,400	1,540	1,552	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	9,324	9,612	9,760	9,996	9,673
6. Durable Goods.....	1,720	1,916	2,008	2,032	1,919
7. Services <sup>1</sup> .....	5,444	5,492	5,564	5,688	5,547
8. Total Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
9. Total Personal Saving.....	1,116	1,220	1,000	948	1,071
10. PERSONAL INCOME.....	19,076	19,640	19,872	20,216	19,701
11. (Personal Disposable Income) <sup>2</sup> .....	(17,604)	(18,240)	(18,332)	(18,664)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
13,636	14,108	14,560	14,832	14,284	15,076	15,288	15,616	1.
-452	-464	-476	-464	-464	-512	-496	-528	2.
372	424	452	448	424	456	456	512	3.
1,560	1,608	1,488	1,696	1,588	1,396	1,364	1,132	4.
1,916	1,920	2,012	1,956	1,951	1,964	1,960	1,988	5.
2,044	2,056	2,112	2,176	2,097	2,224	2,268	2,312	6.
1,772	1,752	1,768	1,768	1,765	1,904	1,960	2,144	7.
28	40	40	32	35	28	36	36	8.
24	24	28	28	26	24	24	28	9.
20,900	21,468	21,984	22,472	21,706	22,560	22,860	23,240	10.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
1,392	1,432	1,564	1,592	1,495	1,664	1,692	1,732	1.
148	196	124	116	146	124	124	128	2.
76	80	88	72	79	96	84	108	3.
1,616	1,708	1,776	1,780	1,720	1,884	1,900	1,968	4.
10,196	10,272	10,668	10,916	10,513	10,912	10,924	11,096	5.
1,948	2,100	2,112	2,084	2,061	2,132	2,012	2,088	6.
5,792	5,912	6,028	6,196	5,982	6,324	6,380	6,492	7.
17,936	18,284	18,808	19,196	18,556	19,368	19,316	19,676	8.
1,348	1,476	1,400	1,496	1,430	1,308	1,644	1,596	9.
20,900	21,468	21,984	22,472	21,706	22,560	22,860	23,240	10.
(19,284)	(19,760)	(20,208)	(20,692)	(19,986)	(20,676)	(20,960)	(21,272)	11.



TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

		1955				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services.....	3,255	3,663	3,537	4,070	14,525
2.	Non-Durable Goods.....	1,909	2,136	2,114	2,565	8,724
3.	Durable Goods.....	346	506	466	474	1,792
4.	Services.....	1,000	1,021	957	1,031	4,009
5.	Government Expenditure on Goods and Services.....	873	757	951	883	3,464
Gross Domestic Investment:						
6.	New Residential Construction.....	197	287	323	317	1,124
7.	New Non-Residential Construction.....	275	319	402	368	1,364
8.	New Machinery and Equipment.....	324	457	392	382	1,555
9.	Change in Inventories.....	-185	-94	1,057	-392	386
10.	(Business Inventories only).....	(144)	(-13)	(12)	(-33)	(110)
11.	Exports of Goods and Services.....	1,084	1,249	1,366	1,299	4,998
12.	Deduct: Imports of Goods and Services.....	-1,246	-1,443	-1,489	-1,543	-5,721
13.	Residual Error of Estimate.....	-50	2	18	-18	-48
14.	GROSS NATIONAL EXPENDITURE.....	4,527	5,197	6,557	5,366	21,647

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

CONSTANT DOLLARS, BY QUARTERS, 1955-1957  
 FOR SEASONALITY <sup>1,2</sup>  
 of dollars)

1956				Year	1957			
I	II	III	IV		I	II	III	
3,533	3,888	3,764	4,317	15,502	3,660	3,924	3,816	1.
2,092	2,259	2,268	2,771	9,390	2,160	2,320	2,320	2.
395	559	483	465	1,902	402	505	459	3.
1,046	1,070	1,013	1,081	4,210	1,098	1,099	1,037	4.
845	781	1,046	945	3,617	835	801	1,058	5.
219	310	318	293	1,140	193	257	286	6.
307	412	551	508	1,778	375	501	614	7.
396	555	476	463	1,890	455	541	414	8.
-49	-141	1,134	-325	619	-2	-117	727	9.
(259)	(111)	(-28)	(26)	(368)	(252)	(70)	(-52)	10.
1,143	1,377	1,451	1,367	5,338	1,166	1,296	1,473	11.
-1,455	-1,782	-1,675	-1,725	-6,637	-1,527	-1,767	-1,651	12.
-14	44	8	-90	-52	26	70	22	13.
4,925	5,444	7,073	5,753	23,195	5,181	5,506	6,759	14.





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Canada. Statistics, Season 1957



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
FOURTH QUARTER  
AND  
PRELIMINARY ANNUAL  
1957

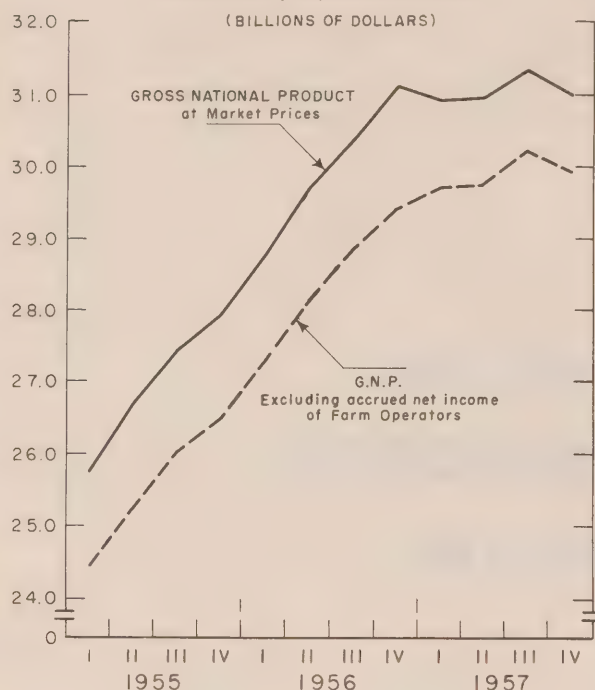


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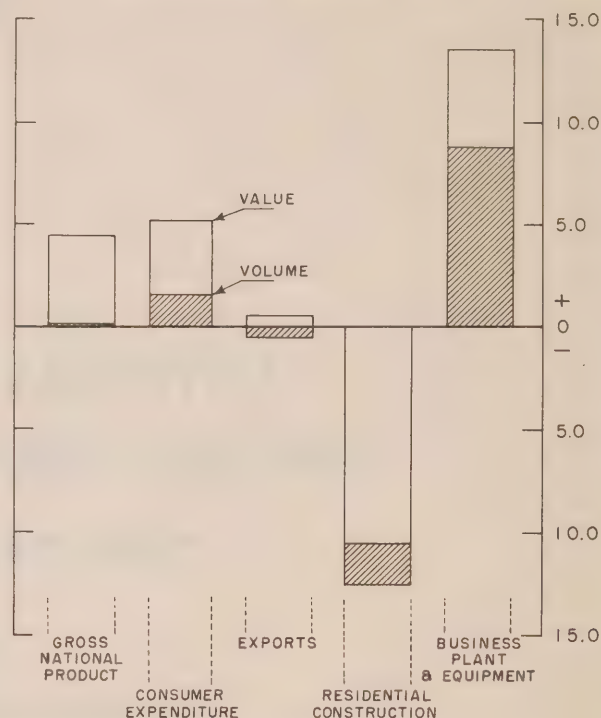
# GROSS NATIONAL PRODUCT LEVELLED OFF IN 1957, AFTER SHARP GAINS IN THE TWO PRECEDING YEARS

(At seasonally adjusted annual rates)



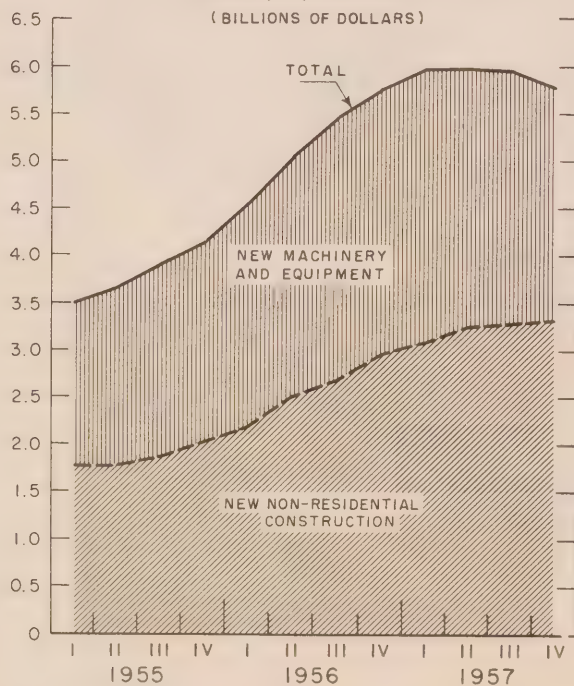
# THE INCREASE IN THE VALUE OF GROSS NATIONAL PRODUCT IN 1957 REFLECTED MAINLY PRICE FACTORS; THE VOLUME OF PRODUCTION WAS RELATIVELY UNCHANGED

(Percentage change in the twelve months)



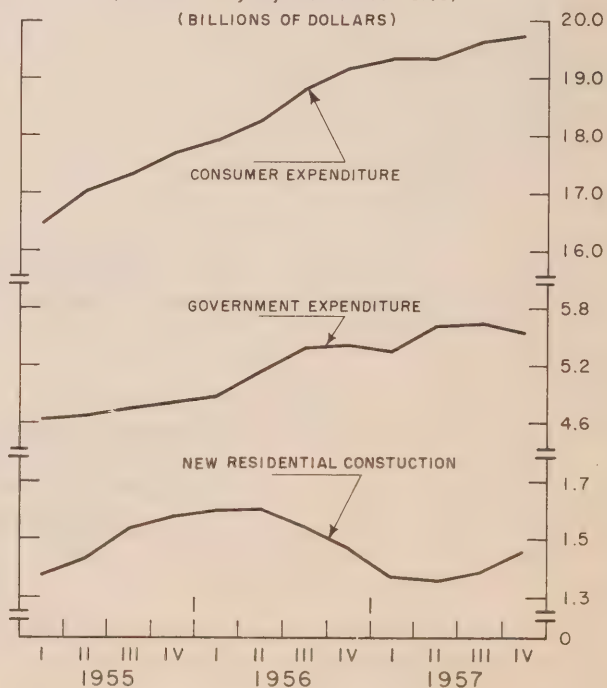
# BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT WERE HIGHER IN 1957, BUT SHOWED SOME SLACKENING IN THE COURSE OF THE YEAR

(At seasonally adjusted annual rates)



# CONSUMER AND GOVERNMENT EXPENDITURES ROSE FURTHER DURING THE YEAR. OUTLAYS FOR HOUSING, AFTER DECLINING SINCE EARLY IN 1956, MOVED UPWARD IN THE LATTER PART OF 1957

(At seasonally adjusted annual rates)





## INTRODUCTORY REVIEW

(This report includes revised data for 1955, 1956 and 1957)

The year 1957 was characterized by a marked levelling off in the rate of economic activity. This change in the upward trend in the major economic indicators in 1957 follows a period of sharp advances during the preceding two years. It will be recalled that in 1955 and 1956, demand was expanding very rapidly and large quarter-to-quarter increases occurred in the value of the nation's total production, the Gross National Product. By 1957, however, the sharp quarter-to-quarter advance in final expenditures had slackened appreciably and in the fourth quarter of 1957 a moderate decline in output was recorded. Gross National Product seasonally adjusted at annual rates, amounted to \$31.0 billion in the fourth quarter of the year, compared with \$31.3 billion in the third quarter, and \$31.1 billion for the year 1957 as a whole.

The significant changes which took place in the nation's expenditure during 1957 are shown in the table on page 2, in the perspective of the two previous years. The rapid expansion of investment outlays which was a notable feature of 1955 and 1956 moderated in 1957; machinery and equipment investment declined in the last three quarters of the year, and the rate of growth in non-residential outlays slackened. However, residential construction began to move upward during the year, following a period of successive declines. Accompanying these developments, exports of goods and services, which had earlier provided one of the main stimulants to investment in resource industries, moved irregularly at a level barely in excess of the year 1956. At the same time, the upsurge in imports which was a notable feature of 1956, subsided in 1957, and declines occurred in the seasonally adjusted value of imports of goods and services throughout the course of the year. Business inventory accumulation, which reached its peak in the middle of 1956, declined steadily throughout 1957, and in the fourth quarter of the year shifted to a position of moderate net liquidation.

It may be noted that while neither final purchases nor inventories were creating new demands on production in the fourth quarter of 1957, a good deal of the effect of this curtailment on the flow of expenditures was absorbed by imports of goods and services which fell by 4 1/2 per cent between the third and fourth quarters of the year.

Associated with these developments on the expenditure side in 1957, National Income rose by almost 3 per cent above the level of the previous year, though it was moving downward in the fourth quarter. Corporation profits declined steadily throughout the year from the peak reached in 1956, and registered a drop of about 7 per cent on the year-to-year comparison. Labour income continued to rise in 1957 until the fourth quarter of the year, when it moved downward slightly in association with declines in employment; however, on the full year's comparison, labour income was more than 7 per cent above the level of the year 1956, this being the major factor behind the 6 per cent rise in personal income. As has been noted, crop production fell sharply in 1957, and this is reflected in a decline of \$400 million in accrued net income of farm operators from farm production. There was a very small gain in net income of unincorporated non-farm enterprises in 1957, in contrast with the fairly substantial gains which had occurred in the preceding two years.

These changes in the main statistical aggregates resulted in a Gross National Product in 1957 of about \$31.1 billion, a gain of 3 1/2 per cent over the level of the year 1956 in value terms, but unchanged from the preceding year in terms of the



Quarter-to-Quarter Changes in Final Purchases  
(S.A.A.R.)

	Change 1Q-2Q 1955	Change 2Q-3Q 1955	Change 3Q-4Q 1955	Change 4Q '55 to 1Q, 1956	Change 1Q-2Q 1956	Change 2Q-3Q 1956	Change 3Q-4Q 1956	Change 4Q '56 to 1Q, 1957	Change 1Q-2Q 1957	Change 2Q-3Q 1957	Change 3Q-4Q 1957
Personal Expenditure.....	532	312	384	220	348	524	388	168	-20	308	92
Government Expenditure....	48	92	56	56	276	232	8	-52	268	48	-124
Residential Construction.	56	104	40	24	4	-64	-68	-104	-12	28	72
Non-Residential Construction.....	24	76	160	180	308	196	272	120	156	48	16
Machinery and Equipment..	136	156	76	252	184	212	36	88	-140	-76	-212
Exports.....	220	112	44	216	360	-136	52	80	-260	252	-144
Total Final Purchases	1,016	852	760	948	1,480	964	688	300	-8	608	-300
(Final Domestic Demand)	(796)	(740)	(716)	(732)	(1,120)	(1,100)	(636)	(220)	(252)	(356)	(-156)

Quarter-to-Quarter Changes in Other Selected Items  
(S.A.A.R.)

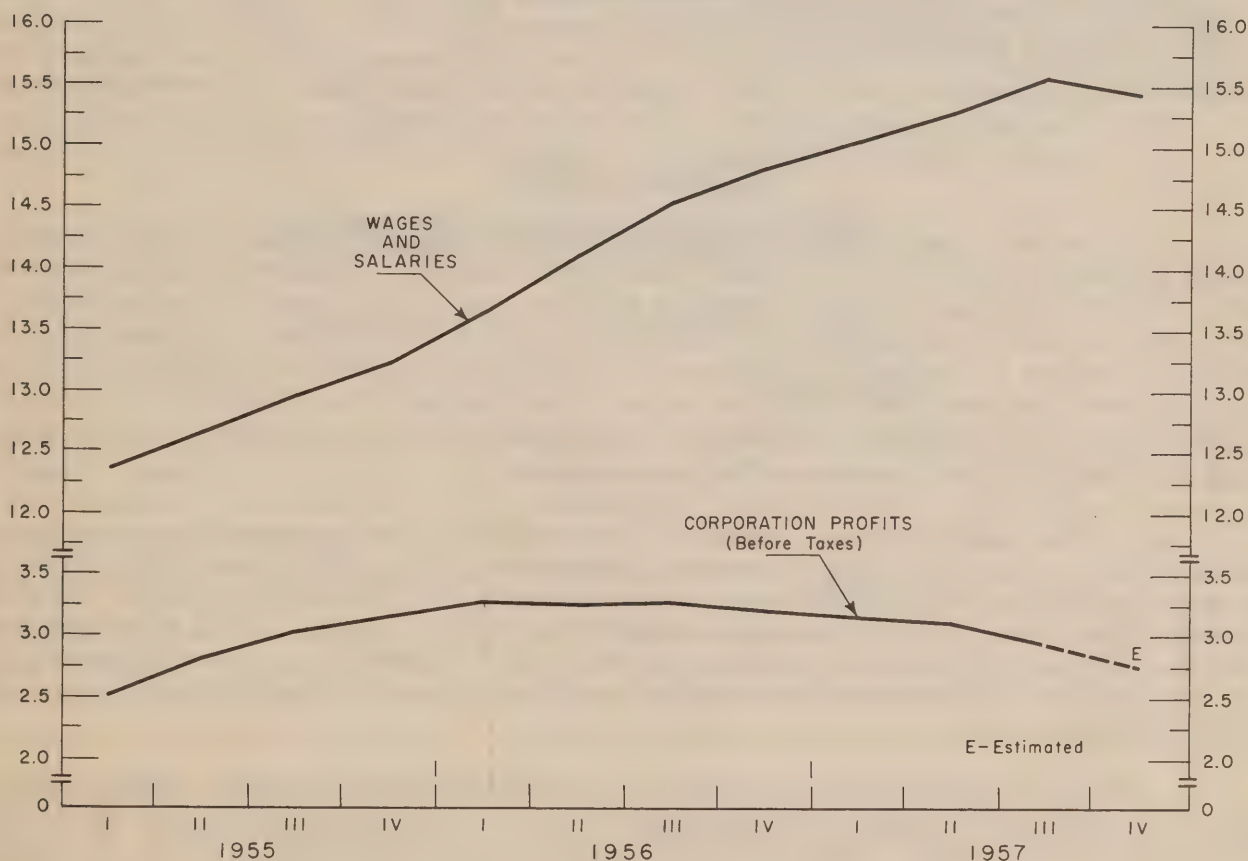
"Shift" in business in- ventories (change in the change).....	-292	544	-40	272	160	-388	224	-164	-136	-184	-380
Change in Imports.....	84	560	352	380	304	28	268	-56	-68	-72	-348
Change in G.N.P. (ex farm)	800	788	480	776	888	676	628	252	60	440	-276

physical volume of output; thus, price factors were the major element in the higher value of production in 1957. The unchanged volume of output in 1957 compares with the unusually large gains of about 7 per cent between 1955 and 1956, and 9 per cent between 1954 and 1955. It should be noted in this connection that the production figures in 1957 include a sharp drop in crop output. The decline in grain output is estimated to have amounted to about 1 per cent of the Gross National Product, so that the non-farm Gross National Product in 1957 was higher than in 1956 by about 1 per cent in volume terms.

### WAGES AND SALARIES INCREASED FURTHER IN 1957 WHILE CORPORATION PROFITS DECLINED FROM 1956 LEVELS

(At Seasonally Adjusted Annual Rates)

BILLIONS OF DOLLARS





The following table shows the value changes in the main expenditure components for the periods 1954-1955, 1955-1956, and 1956-1957.

Value Changes in Selected Components of Gross National Expenditure  
1955, 1956 and 1957

	Per Cent Change 1954 to 1955	Per Cent Change 1955 to 1956	Per Cent Change 1956 to 1957
Personal Expenditure.....	8	8	5
Non-Durables.....	8	9	5
Durables.....	13	7	-1
Services.....	7	8	8
Government Expenditure.....	7	10	6
New Residential Construction.....	27	5	-10
New Non-Residential Construction.....	11	40	25
New Machinery and Equipment.....	6	35	3
Exports.....	12	10	1
Total Final Purchases (ex inventories).....	9	12	5
Imports of Goods and Services.....	16	19	1
Gross National Expenditure.....	11	11	4

#### THE FOURTH QUARTER

Gross National Product at market prices, seasonally adjusted, declined in the fourth quarter of 1957 for the first time since the mild downturn of the 1953-1954 period<sup>1</sup>. The drop was small, amounting to only about 1 per cent in value terms, and was centered mainly in business inventories and in machinery and equipment investment; however, exports of goods and services were also off slightly in the fourth quarter, and government expenditure on goods and services showed a small decline. With final product prices fractionally higher, the volume decline in the fourth quarter was slightly greater than the value figures indicate.

On the positive side, personal expenditure on consumer goods and services, outlays for new housing, and investment in new non-residential construction continued to move upward and to provide support to the total flow of expenditure in the economy. However, the rise in total consumer expenditure was not large, being affected by a drop in purchases of consumer durable goods. At the same time, the advance in outlays for non-residential construction was the smallest since the beginning of the up-turn in late 1954.

Related data suggest that the fourth quarter drop in real output, though small, was fairly widespread by industry, with the notable exception of the service and construction groups. The primary industries were affected by a drop of 3 per cent in the mining industry, and lower production in the forestry industry. The transportation, communication and storage group continued to be affected by the declining trend of revenue freight carried by the railways. In manufacturing, declines occurred in both the durables and non-durables group, amounting to 2 and 5 per cent respectively. Within durables manufacturing, the major declines were recorded in iron and steel products, electrical apparatus and supplies, non-metallic minerals, and wood products. Non-ferrous metal production rose sharply, reflecting

1. Disregarding year-to-year changes in crop production which affect the fourth to first quarter relationships.



the settlement of a strike involving a major producer of aluminum. Within the non-durables manufacturing group, production declines were noted in foods and beverages, tobacco, textiles and clothing, paper products, printing and publishing, and products of petroleum and coal (all data seasonally adjusted).

Accompanying these movements in production, business inventories, seasonally adjusted, shifted from a position of moderate accumulation in the third quarter (\$272 million), at seasonally adjusted annual rates, to one of moderate net liquidation in the fourth (\$-108 million). The sharpest turn-around occurred at the manufacturing level, where the swing in inventories amounted to about \$0.5 billion from the third to fourth quarters. Among the groups responsible for this sharp shift at the manufacturing level were iron and steel products, tobacco products, transportation equipment, and electrical apparatus and supplies; at the same time, the rate of accumulation of food stocks at the manufacturing level declined sharply. At the wholesale level, inventories were also liquidating in the fourth quarter, though the turn-around here was relatively small compared with the sharp swing at the manufacturing level. Among the groups responsible for the shift to liquidation in wholesale inventories, industrial machinery and equipment showed the sharpest movement. At the retail level, the movement in inventories between the third and fourth quarters was in the opposite direction to developments at the manufacturing and wholesale levels; retail inventories showed a fairly heavy accumulation in the fourth quarter, following a small build-up in the third, which reflected mainly movements in stocks of food held at retail and in automobile inventories.

Components of Income and Expenditure  
(Per cent changes from 3rd to 4th Quarter, 1957)

(Seasonally adjusted at annual rates)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc.....	-1	Personal goods and services.....	+1
Investment income.....	-3	Government goods and services.....	-2
Farm net income.....	-5	Residential construction.....	+5
Other unincorporated business	+1	Non-residential construction.....	+1
		New machinery and equipment.....	-8
		Inventory change, total \$176 Mn. to \$-216 Mn.	
National Income.....	-2	(Inventory change, business \$272 Mn. to \$-108 Mn. )	
Indirect taxes, etc.....	-1	Exports, goods and services.....	-2
Depreciation.....	+2	Imports, goods and services.....	-4
<hr/>		<hr/>	
Gross National Product....	-1	Gross National Expenditure.....	-1
<hr/>		<hr/>	
Gross National Product			
ex farm net income.....	-1		

The downward movement in outlays for machinery and equipment, seasonally adjusted, deepened in the fourth quarter with a decline of 8 per cent recorded. However, it is estimated that more than one-half of this drop in machinery and equipment investment had its counterpart in a cut-back in imports of machinery and equipment, to this extent lessening the impact of easing demand on Canadian production. Imports of iron and its products were sharply off in the fourth quarter (more than 10 per cent, seasonally adjusted), and accounted for the major part of the decline in total imports



of goods and services. As has been noted, this development was associated not only with the declining rate of machinery and equipment investment, but also with the liquidation of inventories in the iron and steel group and a decline in consumer expenditure on durable goods.

Exports of goods and services also contributed to the easing of demand in the fourth quarter, with a drop of about 2 per cent, seasonally adjusted. The major factors in this fourth quarter decline were a fall-off in exports of wood, wood products, and paper, a decline in exports of non-metallic minerals (mainly petroleum), and a drop in exports of iron and its products, notably iron ore. The deficit in current international account in the fourth quarter was at a rate of \$1.1 billion.

On the income side, developments in the fourth quarter were marked by a decline of 1 per cent in labour income, seasonally adjusted, and a continuation of the down-trend in investment income, which includes corporation profits. However, while National Income declined by 2 per cent, personal income remained stable, as a sharp gain in transfer payments more than offset the relatively small losses in factor incomes.

#### Production and Employment in 1957

The unchanged over-all volume of production between 1956 and 1957 concealed divergent and offsetting movements within the broad industry groups. In general, there was a shift in the production pattern towards the service-producing industries, with declines in output showing up in some primary and secondary commodity-producing industries. Output in the primary industries was substantially lower as a result of the sharp drop in crop production noted earlier, together with a decline in activity in the forestry industry which reflected a deterioration of markets for pulpwood and lumber. Output in fishing and trapping was also lower in 1957. On the other hand, production in mining, quarrying, and oil wells was more than 6 per cent above the level of the previous year, with gains in uranium, petroleum, nickel, gold, silver, and iron ore, in part offset by declines in the base metals, and in non-metal production; despite this substantial year to year increase, however, the trend in output in this industry was downward after mid-year.

Manufacturing output declined by 2 per cent in 1957, with durables off about 5 per cent, and non-durables showing a gain of about 1 per cent. The main factors in the drop in durable goods output were declines in production of wood products (-9 per cent), iron and steel products (-5 per cent), non-ferrous metal products (-6 per cent), electrical apparatus and supplies (-8 per cent), and transportation equipment (-2 per cent). Within the non-durables goods group, gains in foods and beverages, tobacco, leather, petroleum and coal, and chemicals, were partly offset by declines in rubber, textiles, clothing, and paper products. During the course of 1957, seasonally adjusted production indexes of both durable and non-durable goods manufacturing began to move downward; from February to December, durable goods output had fallen by about 12 per cent, while non-durables goods output had fallen by about 6 per cent.

The gains in service-producing industries in 1957 were concentrated in financial, government, and other personal and community services; these groups showed gains ranging from 2 to 5 per cent. Both retail and wholesale trade volume was unchanged from the 1956 levels, while output in the transportation, storage and communications group declined, reflecting the drop in railway freight traffic; freight car loadings were down in every major commodity group in 1957, with the single exception of newsprint.

Output in the construction industry was higher in 1957, as the large-scale programme of non-residential building more than counterbalanced the sharp drop in housing construction.

Turning now to the employment side, the number of persons with jobs in 1957 averaged 5,661 thousand, a gain of 135,000, or 2.4 per cent from 1956. The number of persons with jobs in the non-agricultural sector rose by about 3.5 per cent.

It may be noted that this increase in non-farm employment was considerably in excess of the year to year gain in non-farm production, which was estimated to have risen by only about 1 per cent. This divergence between the employment and output indicators implies a decline in output per person employed in 1957. Some part of the explanation for this development reflects a decline in average hours worked per week in 1957; such a decline occurred in manufacturing and mining. Another factor may be the reluctance of employers to dismiss workers in the initial states of production cut-backs pending clarification of the outlook for new orders. Finally, there is some evidence to suggest that in both Canada and the United States the very large additions to plant capacity in recent years have increased the need for administrative and over-head staff relative to the requirements for "production" workers.

The increment to the labour force in 1957 was 210,000, almost twice the average rate of growth in the preceding five years. This unusually large increase is associated with higher participation rates as well as with the extraordinarily high level of immigration in 1957. The number of persons without jobs and seeking work averaged 254,000 persons for the full year, that is, 4.3 per cent of the labour force, compared with 3.1 per cent in 1956. In addition, the number of persons on short-time or temporarily laid off averaged about 50 per cent higher than in the preceding year. In the fourth quarter of 1957, persons without jobs and seeking work accounted for 5.0 per cent of the labour force.

### Prices

Final product prices continued to advance throughout 1957, though the rate of increase slackened appreciably during the course of the year. It is estimated that the price element in the Gross National Product rose by only about one-quarter of 1 per cent from the third to the fourth quarter, which would constitute the smallest quarter to quarter increase in a two-year period. For the year as a whole, end product prices in 1957 averaged about 4 per cent above those of the year 1956, as the accompanying table indicates.



Value, Price and Volume Percentage Changes in Gross National  
Expenditure Components, 1956 to 1957

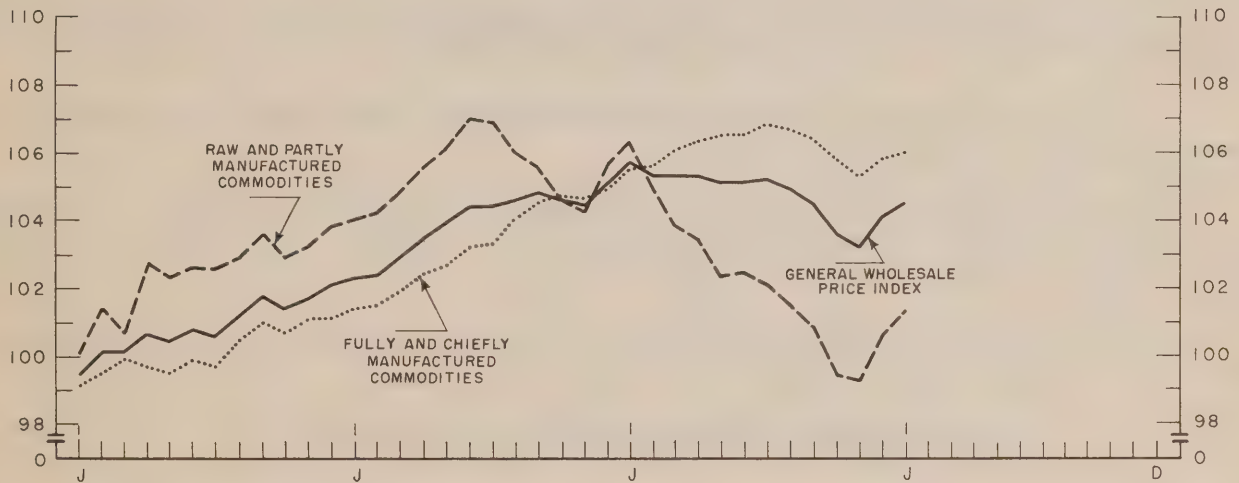
	<u>Value</u>	<u>Price</u>	<u>Volume</u>
Personal Expenditure.....	5.2	3.6	1.6
Non-Durable Goods.....	5.1	2.8	2.2
Durable Goods.....	-1.1	3.8	-4.7
Services.....	7.6	4.4	3.0
Government Expenditure.....	6.4	5.4	0.9
Gross Domestic Investment (ex inventories).....	8.2	4.1	4.0
Residential Construction.....	-10.5	2.3	-12.5
Non-Residential Construction.....	24.9	3.2	21.0
Machinery and Equipment.....	2.7	5.0	-2.2
Exports.....	0.6	1.2	-0.6
Imports.....	0.8	2.2	-1.5
Total Gross National Expenditure (after inventory re-valuation).....	4.4	4.3	0.1
(GNE before inventory re-valuation).....	(3.6)		

The 3.6 per cent advance in the consumer sector in 1957 was substantially greater than the price rise in this sector in the preceding year, when it amounted to only 1.4 per cent. The 4.1 per cent rise in the price of investment goods in 1957, however, was slightly less than the previous year's rise of 5.6 per cent.

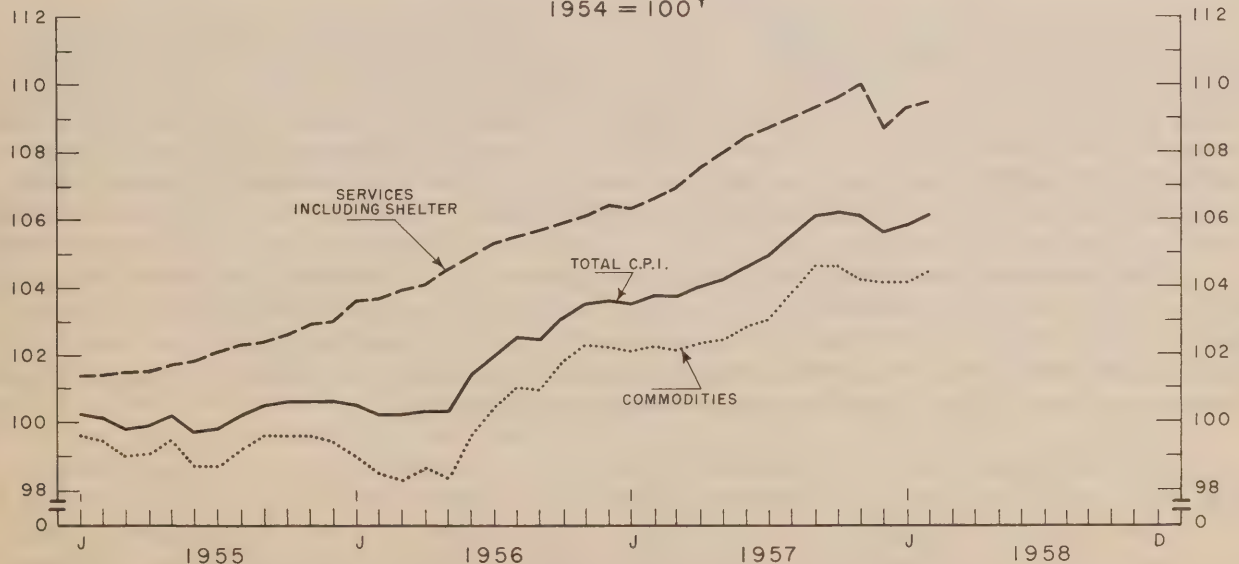
Since the end of 1956, the advance in final product prices has not been accompanied by price increases as measured by the general wholesale price index; from the fourth quarter of 1956 through to the fourth quarter of 1957, the wholesale price index declined by about 1 per cent, compared with an advance of 3 per cent for the corresponding period of 1956. The prices of raw and partly manufactured goods and of industrial materials declined by 5 and 7 per cent respectively in this period, compared with gains of 2 and 3 per cent in the same period a year ago. Fully and chiefly manufactured goods advanced by 1 per cent from the end of 1956 to the fourth quarter of 1957, compared with an advance of 4 per cent for the same period of the preceding year. From the third to fourth quarters of 1957, the wholesale price index declined by less than 1 per cent. The impact of these changes in wholesale prices is, to some extent, reflected in the valuation of inventories by business. It is estimated that the inventory valuation adjustment required for National Accounts purposes amounted to only about \$60 million for the year 1957, compared with the \$300 million adjustment made in 1956.

	Percentage Change from Preceding Period	
	<u>4Q 1957</u>	<u>4Q 1956</u>
	<u>4Q 1956</u>	<u>4Q 1955</u>
General Wholesale Price Index.....	-1.0	+2.9
Raw and Partly Manufactured.....	-4.9	+1.5
Fully and Chiefly Manufactured.....	+0.9	+3.7
Industrial Materials Price Index.....	-7.0	+2.7

WHOLESALE PRICE INDEX  
1954 = 100 \*



CONSUMER PRICE INDEX  
1954 = 100 †



\* MECHANICALLY CONVERTED FROM 1935-39=100 † MECHANICALLY CONVERTED FROM 1949=100



To review, the major developments of the year 1957, as reflected in the National Accounts, may be summarized as follows:

1. No change in the total volume of production for the year as a whole, after the sharp increases of 1955 and 1956; a decline in output in the final quarter of the year;
2. A continuation of advances in final product prices with some decline in prices at the basic commodity level;
3. Year-to-year gains in fixed capital investment expenditures by business for plant, machinery and equipment, but a levelling off in the rate of construction outlays in the course of the current year accompanied by a declining trend in outlays for machinery and equipment;
4. A year-to-year gain of 3 per cent in National Income, reflecting the gains in labour income, partly offset by a drop in crop production, and a decline in corporation profits of about 10 per cent;
5. Gains in personal income of about 6 per cent, which have been closely paralleled by advances in personal expenditure on consumer goods and services;
6. A decline in housing expenditures on a year-to-year basis, but a strong recovery during the course of the year;
7. Little change in the year to year levels in exports and imports of goods and services, following the sharp increases of 1955 and 1956; a declining trend in imports throughout the course of the year;
8. A reduction in the rate of business inventory accumulation, shifting to a position of net liquidation in the fourth quarter.

#### THE COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Personal Expenditure on Consumer Goods and Services

Personal consumption expenditure rose to \$19.5 billion in 1957, somewhat more than 5 per cent higher in 1956. All the increased spending was on services and non-durables; purchases of durables were slightly lower than in the preceding year. The major part of the rise in total spending represents the higher prices prevailing in the consumer sector. The modest increase in the real volume of consumption in 1957 is in contrast to the decided gains recorded in the two preceding years; on a per capita basis, real consumption fell slightly, the first such decline since 1950-51.

Purchases of non-durable goods were up about 5 per cent, with the largest gains in food, alcoholic beverages, tobacco, and gasoline. Purchases of clothing were moderately higher. Prices of non-durable goods averaged nearly 3 per cent higher in 1957, mainly as a result of the rise in prices of food, so that real consumption was to that extent lower than the value figures indicate.

Outlays for durable goods were lower than in 1956 by about 1 per cent, largely as a result of the fall in purchases of new and used cars. It may be noted that the number of new passenger cars sold in 1957 dropped 7 per cent. House furnishings was the only category of durable goods which showed any increase. Purchases of appliances and radios were about the same as in 1956. The rise in the price of



durables was nearly 4 per cent, so that in real terms purchases of durables in 1957 were about 5 per cent below the level of the preceding year.

In this connection, it is interesting to note that consumer credit outstanding in the books of instalment finance companies increased only 3 per cent in 1957, in contrast to increases of 26 per cent in 1956 and 22 per cent in 1955, both years in which purchases of durables were high and rising.

Consumer expenditure on services rose about 7 1/2 per cent, with increases recorded in all the groups. One of the largest gains was in expenditure on shelter, reflecting the addition to the stock of housing and the rise in rents. Spending on personal service and medical care were also above the average for services as a whole. The rise in prices, some 4 1/2 per cent, was most pronounced in the services sector.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services amounted to \$5.5 billion in 1957, 6 per cent higher than in 1956, with almost all the increase at the provincial and municipal levels; a decline in defence expenditure approximately offset a rise in federal expenditure for other purposes. Most of the increase at all levels of government is accounted for by larger expenditures for wages and salaries and for construction.

#### Gross Domestic Investment (excluding Inventories)

In 1955 and 1956 the high and rising demand in world markets for the products of Canada's resource-based industries encouraged a vigorous expansion of productive capacity. This expansion centred on those industries producing raw materials and radiated to the fuel, power and transportation industries. Accordingly, an unusually large number of such projects were initiated in these years. In 1957, business expenditures for plant and equipment rose to \$5.9 billion, an increase of nearly 14 per cent over the preceding year. This increase reflected the large number of projects undertaken in earlier years and at various stages of completion in 1957, as well as those launched in 1957 itself. The 1957 gain compares with an increase of 37 per cent in 1956 and thus represents a distinct slowing down in the extraordinarily high rate of growth characteristic of the preceding year.

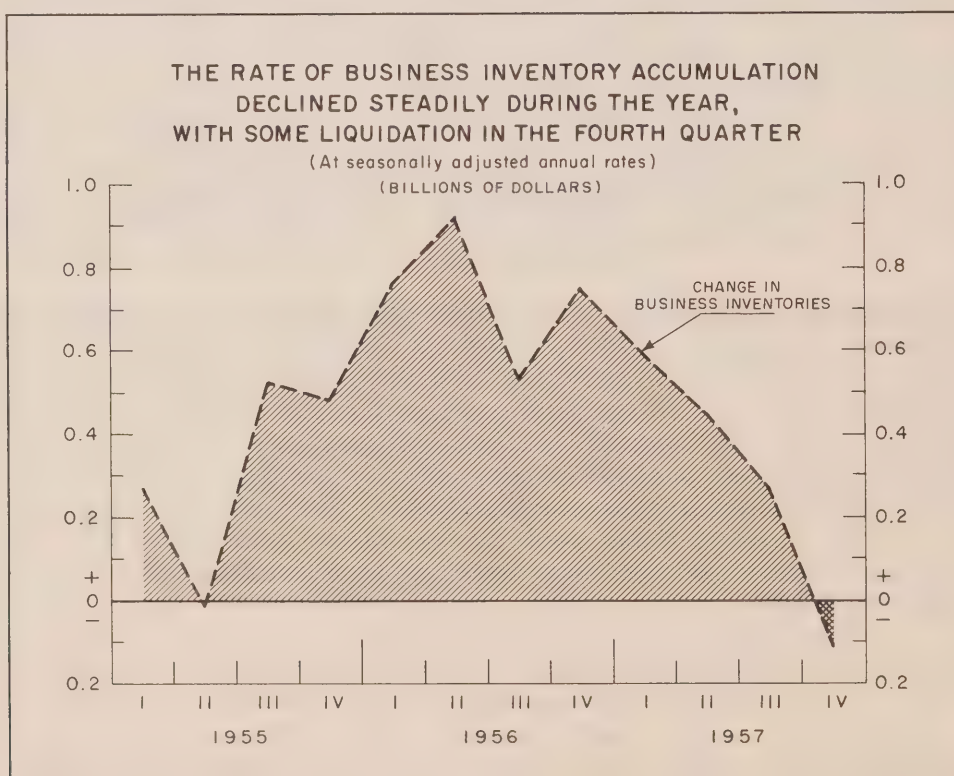
Within business expenditures for plant and equipment, the emphasis in 1957 shifted strongly toward new construction, which at \$3.2 billion was about 25 per cent higher than in 1956. This shift is partly attributable to the fact that expenditures on such major projects as the St. Lawrence Seaway and Power Project and the Trans Canada Pipeline were moving towards their peak in 1957. Expenditures for new machinery and equipment were \$2.7 billion, only about 3 per cent higher than in 1956, in contrast to an increase of 35 per cent in the preceding year. Purchases of machinery and equipment appear to have reached their peak in the first quarter of the year. Both domestic shipments and imports of the main categories of machinery and equipment declined in the second half of the year.

Turning to the composition of the business investment programme in 1957, the major increases were in transportation and storage, where a gain of 47 per cent followed one of 85 per cent in the previous year and in public utility operation, where a gain of 26 per cent followed one of 53 per cent in 1956. These two groups, which had absorbed about 22 per cent of total business investment in 1956, accounted for 27 per cent of the total in 1957. The two major projects mentioned earlier, the seaway and the pipeline, are in part responsible for the importance of these two groups. The increases in capital expenditures in service industries, trade, and communications were also fairly large, ranging from 16 to 19 per cent. On the other

hand, capital expenditures in manufacturing were only slightly higher than in the previous year, with substantial increases in some manufacturing industries nearly counterbalanced by declines in others. In mining, quarrying and oil wells, there was a further advance over 1956 but in the other primary industries, as well as in the construction industry, capital expenditures were lower than in the preceding year, much the most marked rate of decline being in forestry where new investment fell by more than 40 per cent.

Expenditures on new residential construction in 1957 amounted to \$1.4 billion, 10 per cent lower than in 1956. In response to easier conditions in mortgage markets and an improved supply of labour and materials, housing starts, which on a seasonally adjusted basis had been falling during 1956, made a strong recovery during 1957, and by the last quarter of the year were running at a rate of nearly 150,000 units, compared with about 86,000 in the first. For the year as a whole, about 122,000 housing units were started and about 117,000 completed, compared with 127,000 starts and 136,000 completions in 1956.

Of the 8 per cent increase in total gross domestic investment, about half represents higher prices. The largest element of price increase, about 5 per cent, was in the machinery and equipment sector, with the result that the volume of such purchases was lower by 2 per cent. In residential construction the price factor amounted to about 2 per cent, leaving this component lower in real terms by about 13 per cent. In non-residential construction, the element of price increase was somewhat larger, leaving the volume of such expenditures higher by more than 20 per cent.





### Investment in Inventories

The addition to inventories is estimated to have been \$0.2 billion in 1957, compared with \$0.9 billion in 1956. This sharp decline in the rate of accumulation reflects some liquidation of stocks on farm and a marked slackening in the rate in the business sector.

The build-up of business inventories amounted to \$0.3 billion in 1957, compared with about \$0.7 billion in 1956. The peak rate of accumulation reached in the second quarter of 1956 gave way to a falling rate of investment in stocks in the latter half of the year and this decline continued until the last quarter of 1957 when some liquidation took place.

A lower rate of investment in business inventories in 1957 was common to almost all industry groups, but was especially pronounced in manufacturing. Among manufacturing industries, the most marked decline in the rate of accumulation occurred in iron and steel, electrical apparatus and supplies, and pulp and paper products. Two other manufacturing industries, electrical apparatus and supplies and wood and wood products shifted from accumulation in 1956 to liquidation in 1957. Only a few manufacturing industries showed a higher rate of accumulation in 1957 than in 1956, food beverages being among them. There was some build-up in the clothing industry in 1957, as opposed to a drawing down of stocks in 1956.

Additions to stocks of retailers and wholesalers were also much lower in 1957 than in the preceding year. In the durable groups there was either a smaller rate of accumulation or actual liquidation; in the non-durable group, however, accumulation in some instances was higher than in the preceding year.

### Exports and Imports of Goods and Services

Exports of goods and services amounted to \$6.4 billion in 1957, only fractionally higher than the total reached in 1956. This compares with increases of 10 per cent or more in the two preceding years. The fractional increase in 1957 is the outcome of a small gain in commodity exports, partially offset by a decline in receipts from invisible items.

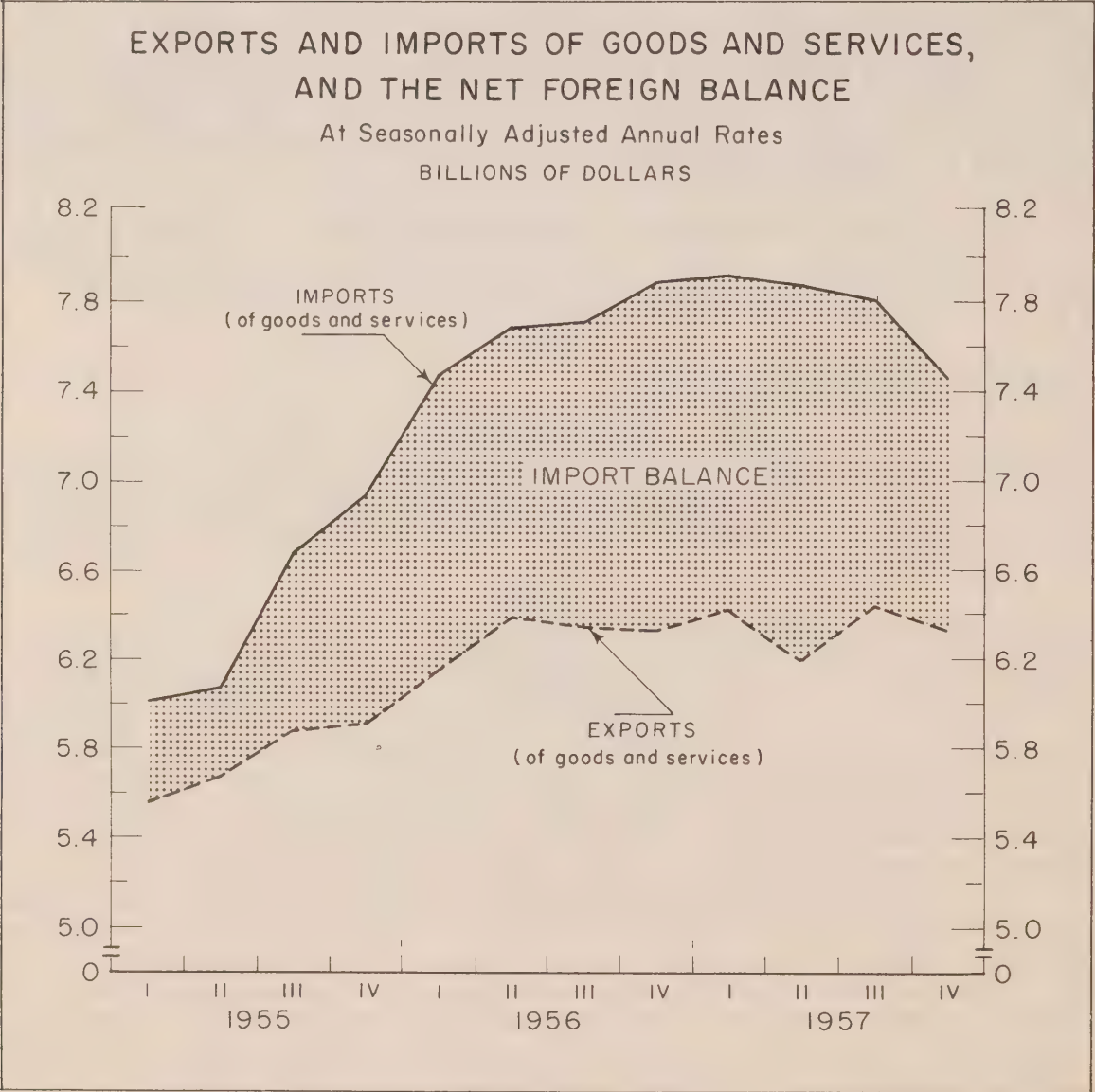
Canada's exports of goods and services rose sharply in 1955 and 1956, against a background of continued expansion of industrial production in Western Europe, of recovery from recession in the United States, and a greatly enhanced capacity to supply many of the basic commodities demanded on world markets. In 1957, markets for some primary products weakened, with the result that commodity exports at \$4.9 billion were only very little higher than in 1956. Further advances in exports of the products of some newly developed resource industries helped to offset losses elsewhere, as for example, the gains in uranium and oil. However, of the nine commodity groups, only two, agricultural and vegetable products, and wood, wood products and paper, were lower than in 1956. In the first-named group, exports were off more than \$140 million, or about 15 per cent, reflecting the sharp reduction in sales of wheat and other grains; in the second group a drop of 4 per cent was associated with weaker markets for lumber and wood pulp. A gain of 5 per cent in exports of non-ferrous metals and their products was the outcome of a large increase in sales of uranium, from \$46 to \$128 million, a substantial increase in exports of nickel, and declines in all other major metals; the decline in exports of copper, lead and zinc products, (the prices of these metals having fallen considerably), amounted to about \$50 million or 16 per cent. Exports of crude petroleum advanced to \$141 million, a 36 per cent gain, in spite of the marketing problems that developed during the course of the year; with a further significant gain in exports of asbestos and products, exports in the non-metallic group were up



19 per cent. Exports of iron and its products were higher by about 13 per cent, reflecting increases in farm and other machinery as well as in sales of iron ore. Additional gains were made in animal and animal products, where exports were up about \$42 million or 16 per cent, almost all of which is attributable to a more than four-fold increase in sales of cattle.

Receipts from invisibles were \$1.5 billion in 1957, nearly 3 per cent lower than in 1956. Receipts from tourists and on interest and dividend account were higher, but receipts from freight, miscellaneous items and sales of gold declined.

Imports of goods and services, at \$7.8 billion, showed very little change in 1957 from the level of the previous year. This relative stability contrasts with gains of 19 and 16 per cent in 1956 and 1955. The value of commodity imports in 1957 was, in fact, somewhat lower than in 1956, but payments for services rose significantly.



Imports of commodities amounted to \$5.5 billion in 1957, a drop of about 1 1/2 per cent from the preceding year. The earlier strong upward trend was reversed during the course of the year, and was associated with the turn-around in machinery and equipment outlays, the falling rate of inventory accumulation, and the lower level of consumer outlays for durables. Imports of passenger cars and trucks were down 21 per cent on the year, farm implements and machinery by 13 per cent, mining and metallurgical machinery by 9 per cent, and rolling mill products by 6 per cent. Imports of iron and its products in total were lower by 4 per cent, in contrast to the impressive increases in this category in the two preceding years (more than 40 per cent in 1956). Imports of non-ferrous metals and products were also somewhat lower. The changes in the main commodity groups, positive and negative, were all fairly small.

Payments for services rose to \$2.3 billion in 1957, about 6 1/2 per cent higher than in 1956. The most important element in this increase was the 16 per cent increase in interest and dividends paid abroad but there were increases in the other invisible items as well, with the single exception of freight and shipping, where payments were slightly lower.

The deficit on international current account was \$1.4 billion in 1957, only slightly above the previous peak reached in 1956. However, the imbalance on services was sharply higher, rising from \$624 million to \$805 million, and displacing merchandise trade as the principal source of the deficit. By the fourth quarter of 1957, the deficit had fallen to an annual rate of \$1.1 billion, from the peak in the second quarter of \$1.6 billion.

The rise in prices in the external sector was comparatively small in 1957. While export prices receded a little during the course of the year, they averaged slightly higher for the year as a whole than in 1956. The margin of increase was somewhat greater for import prices. Thus, in terms of volume, exports of goods and services were fractionally lower, while imports of goods and services showed a somewhat more significant reduction.

### THE COMPONENTS OF GROSS NATIONAL PRODUCT

#### Labour Income

Labour income rose to \$15.3 billion in 1957, more than 7 per cent above the year 1956. With the number of paid workers up about 3 per cent and hours of work somewhat reduced in some major industries, a large part of this increase is attributable to higher wage rates.

Almost all industrial groups shared in the advance. The service industries have continued to absorb more workers, in keeping with the post-war trend in the growth of these industries. Thus, the largest income gains were recorded in the service producing industries, with increases of between 10 and 14 per cent in trade, finance, insurance and real estate, services proper (personal, business, community, recreational and government) public utilities and communications. The increase in labour income in the mining industry was of the same general order, reflecting an advance in both employment and in wage rates. In manufacturing, where somewhat increased employment and higher wage rates were offset by shorter hours, the rise in labour income was 5 per cent. The advance in labour income in the construction industry, 4 per cent, contrasts with the very much larger gains recorded in this industry in the two previous years. Forestry was the only major industry in which labour income declined, reflecting the sharply reduced employment and income in this industry in the latter part of the year.



### Investment Income

Investment income in 1957 amounted to \$4.7 billion, 2 1/2 per cent lower than in the preceding year. A drop in corporate profits of about 7 per cent, coupled with a further substantial advance in dividends paid abroad reduced corporate profits entering National Income by 10 per cent. Government investment income was little changed in total since the fall in government trading profits (mainly the result of reduced earnings of the Canadian National Railways) was approximately offset by increases in other components of government investment income. Interest, dividends and net rental income of persons rose by 8 per cent.

Fourth quarter data on corporate profits are not yet available, but data for the first three quarters of the year and related information provides a fairly reliable indication of the trend of profits by industry from 1956 to 1957. Among the major divisions, the only industries showing higher profits in 1957 were services, finance, and retail trade, where increases ranged from 2 to 7 per cent; within manufacturing, only the food and petroleum industries earned larger profits in 1957, with gains of 5 and 11 per cent respectively. Profits fell most sharply in the wood products and non-ferrous metal groups of manufacturing, and in the mining industry, where the rates of decline were about 25 to 30 per cent. The deterioration in foreign and domestic markets reduced prices and curtailed output for some of the products of these industries, with consequent adverse effects on earnings. Profits in transportation, communication, storage and public utilities as a group were down about 9 per cent.

### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production is estimated to be \$1.1 billion, \$400 million less than in 1956. This fall in value reflects mainly the much smaller crop of major grains in the Prairie Provinces. According to preliminary estimates, however, farm cash income is estimated to have declined by only 5 per cent; smaller participation payments by the Canadian Wheat Board and lower returns from sales of grains and poultry products accounted for this decline.

Net income of non-farm unincorporated business amounted to \$2.0 billion in 1957, slightly higher than in the preceding year. Incomes in trade and services continued to rise, reflecting the growth of consumer demand in these sectors, but the lower level of housing adversely affected net income in the construction industry.

### Indirect Taxes less Subsidies

Indirect taxes less subsidies amounted to \$3.3 billion in 1957, about 6 per cent higher than in 1956. The easing in the demand for imports was reflected in lower yields from customs import duties but this loss in revenue was more than offset by higher yields from excise duties and taxes, leaving federal indirect taxes about 1 per cent above the level of 1956. Provincial and municipal revenues from indirect taxes increased by roughly similar proportions, 9 or 10 per cent, with the bulk of the increase attributable to gasoline taxes at the provincial level and to real and personal property taxes at the municipal level. Subsidies were lower by \$13 million, mainly because of smaller payments by the Federal Government on the cost of storing grain.

### Personal Income and Saving

Personal income amounted to \$22.9 billion in 1957, an increase of about 5 1/2 per cent from the preceding year; this was a significantly larger increase than occurred in National Income, which rose by only 3 per cent. Transfer payments



advanced by 17 per cent, and showed the largest gain of any component of personal income. Rates of payment under the family allowance and old age security schemes were raised during the course of the year and a new transfer payment out of oil royalties was introduced in the Province of Alberta. The larger volume of unemployment, together with some extension of benefits, raised payments in the form of unemployment benefits by 45 per cent. Maintenance of dividend payments inspite of a fall in corporate profits was another factor in the divergence between national and personal income.

With a progressive tax structure, the rise in taxable incomes made for a fairly sharp increase in personal direct taxes, which were up 11 per cent. Income at the disposal of consumers for spending amounted to \$20.9 billion, 5 per cent above the level of 1956. Since consumer prices were some 3 1/2 per cent higher, personal disposable income in real terms advanced only moderately, in contrast to the substantial advance that occurred in 1956; on a per capita basis, real disposable income declined slightly in 1957.

The advance in consumer spending matched fairly closely the rise in disposable income, leaving the rate of personal saving only slightly higher than in the preceding year. Personal saving rose to \$1,422 million in 1957, from \$1,368 million in 1956, but was unchanged as a percentage of disposable income.

#### National Saving and Investment

Gross national saving fell from \$6.2 billion in 1956 to \$6.0 billion in 1957. The sources of saving were considerably altered. The surplus on consolidated government account, which at more than \$400 million represented a significant part of total saving in 1956, was reduced to less than \$100 million in 1957. Savings in the form of undistributed profits were also lower. An increase in depreciation allowances, and somewhat larger personal savings acted as a partial offset to the reduction in the other forms of saving.

The sharply reduced rate of accumulation of inventories (which shifted downward by \$766 million) brought the level of total gross domestic investment down from \$7.7 billion in 1956 to \$7.5 billion in 1957. However, in 1957, as in 1956, total national saving fell short of investment requirements, and this deficiency was met from foreign sources. In both years the deficit on international current account amounted to about \$1.4 billion, and this imbalance was chiefly financed by net inflows of capital for long-term investment.

	<u>1956</u>	<u>1957</u>	<u>Change</u> <u>1956 to 1957</u>
	<u>(billions of dollars)</u>		
Gross Private Saving:			
Personal saving.....	1.4	1.4	-
Undistributed corporation profits.....	1.0	0.9	-0.2
Depreciation allowances.....	3.3	3.5	+0.3
Other.....	-	-	-
Government surplus.....	0.4	0.1	-0.3
Residual error.....	0.1	0.1	-
Gross National Saving.....	6.2	6.0	-0.2
Gross Domestic Investment:			
Gross Domestic Investment (ex. inventories)	6.8	7.3	+0.5
Change in Inventories.....	0.9	0.2	-0.7
Net foreign investment.....	-1.4	-1.4	-
Residual error.....	-0.1	-0.1	-
Gross National Investment.....	6.2	6.0	-0.2

TABLE 1. NATIONAL INCOME AND GROSS  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Military Pay and Allowances.....	93	100	101	100	394
3. Investment Income.....	876	1,123	1,229	1,111	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .	-17	198	1,063	160	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	347	460	478	508	1,793
6. NET NATIONAL INCOME AT FACTOR COST.....	4,268	5,031	6,186	5,255	20,740
7. Indirect Taxes less Subsidies.....	756	800	831	851	3,238
8. Depreciation Allowances and Similar Business Costs.....	669	731	765	791	2,956
9. Residual Error of Estimate.....	47	-7	-30	10	20
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	5,740	6,555	7,752	6,907	26,954
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(5,757)	(6,357)	(6,689)	(6,747)	(25,550)

1. Includes change in farm inventories as shown in line 10, Table 4. Also includes the undistributed earnings of the Canadian Wheat Board, and an inventory valuation adjustment for grain in Wheat Board channels.

2. Includes net income of independent professional practitioners.

TABLE 2. GROSS NATIONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,862	4,314	4,169	4,794	17,139
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,172	1,038	1,291	1,227	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	254	374	428	424	1,480
4. New Non-Residential Construction.....	365	428	545	510	1,848
5. New Machinery and Equipment.....	401	563	489	494	1,947
6. Change in Inventories.....	-87	-4	879	-278	510
7. (Business Inventories only) <sup>3</sup> .....	(198)	(9)	(66)	(46)	(319)
8. Exports of Goods and Services.....	1,217	1,440	1,586	1,521	5,764
9. Deduct: Imports of Goods and Services.....	-1,397	-1,605	-1,665	-1,776	-6,443
10. Residual Error of Estimate.....	-47	7	30	-9	-19
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	5,740	6,555	7,752	6,907	26,954

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excluding grain in commercial channels and change in farm inventories.

4. Includes defence expenditures of:

1955					1956					1957				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
520	390	413	433	1,756	490	394	448	468	1,800	509	386	442	431	1,768



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
of dollars)

1956					1957					
I	II	III	IV	Year	I	II	III	IV	Year	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,992	3,935	15,344	1.
93	106	113	112	424	108	116	131	121	476	2.
1,070	1,276	1,290	1,146	4,782	1,095	1,249	1,260	1,056	4,660	3.
-2	96	1,260	192	1,546	33	115	883	115	1,146	4.
376	497	537	541	1,951	382	503	538	558	1,981	5.
4,798	5,485	6,927	5,777	22,987	5,225	5,793	6,804	5,785	23,607	6.
855	909	912	925	3,601	955	949	964	934	3,802	7.
736	809	851	879	3,275	821	890	906	932	3,549	8.
26	-25	-7	129	123	17	-43	7	127	108	9.
6,415	7,178	8,683	7,710	29,986	7,018	7,589	8,681	7,778	31,066	10.
(6,417)	(7,082)	(7,423)	(7,518)	(28,440)	(6,985)	(7,474)	(7,798)	(7,663)	(29,920)	11.

EXPENDITURE, BY QUARTERS, 1955-1957  
of dollars)

1956					1957					
I	II	III	IV	Year	I	II	III	IV	Year	
4,202	4,617	4,518	5,219	18,556	4,519	4,854	4,750	5,403	19,526	1.
1,187	1,150	1,488	1,384	5,209	1,280	1,262	1,580	1,420	5,542	2.
296	421	436	401	1,554	246	355	387	403	1,391	3.
459	607	786	737	2,589	649	795	969	820	3,233	4.
542	770	663	646	2,621	680	817	630	565	2,692	5.
110	24	986	-181	939	75	0	558	-460	173	6.
(377)	(227)	(33)	(105)	(742)	(335)	(111)	(-32)	(-111)	(303)	7.
1,342	1,634	1,725	1,638	6,339	1,408	1,579	1,761	1,627	6,375	8.
-1,697	-2,069	-1,926	-2,005	-7,697	-1,821	-2,115	-1,948	-1,874	-7,758	9.
-26	24	7	-129	-124	-18	42	-6	-126	-108	10.
6,415	7,178	8,683	7,710	29,986	7,018	7,589	8,681	7,778	31,066	11.



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	2,969	3,150	3,315	3,376	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-100	-103	-107	-113	-423
3. Military Pay and Allowances.....	93	100	101	100	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-38	215	1,050	155	1,382
5. Net Income of Non-Farm Unincorporated Business.....	347	460	478	508	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	463	489	484	521	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	536	419	391	385	1,731
8. Charitable Contributions by Corporations.....	6	8	9	8	31
9. Net Bad Debts Losses of Corporations.....	6	6	7	7	26
10. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701

1. This item differs from line 4 of Table 1 in that it excludes the undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1955				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	310	336	322	329	1,297
2. Succession Duties.....	25	25	39	38	127
3. Miscellaneous.....	25	16	10	16	67
4. Total Personal Direct Taxes.....	360	377	371	383	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	2,111	2,367	2,348	2,847	9,673
6. Durable Goods.....	381	545	487	506	1,919
7. Services <sup>1</sup> .....	1,370	1,402	1,334	1,441	5,547
8. Total Personal Expenditure on Consumer Goods and Services....	3,862	4,314	4,169	4,794	17,139
Personal Saving:					
9. Personal Saving Excluding Farm Inventory Change.....	287	62	423	88	860
10. Farm Inventory Change.....	-227	-9	765	-318	211
11. Total Personal Saving.....	60	53	1,188	-230	1,071
12. PERSONAL INCOME.....	4,282	4,744	5,728	4,947	19,701
13. (Personal Disposable Income) <sup>2</sup> .....	(3,922)	(4,367)	(5,357)	(4,564)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956					1957					
I	II	III	IV	Year	I	II	III	IV	Year	
3,261	3,510	3,727	3,786	14,284	3,607	3,810	3,992	3,935	15,344	1.
-111	-115	-119	-119	-464	-125	-123	-132	-131	-511	2.
93	106	113	112	424	108	116	131	121	476	3.
-6	102	1,240	190	1,526	52	136	866	99	1,153	4.
376	497	537	541	1,951	382	503	538	558	1,981	5.
480	534	517	566	2,097	523	587	567	594	2,271	6.
541	419	404	401	1,765	592	470	488	533	2,083	7.
7	10	10	8	35	7	9	9	7	32	8.
6	6	7	7	26	6	6	7	7	26	9.
4,647	5,069	6,436	5,492	21,644	5,152	5,514	6,466	5,723	22,855	10.

INCOME, BY QUARTERS, 1955-1957  
of dollars)

1956					1957					
I	II	III	IV	Year	I	II	III	IV	Year	
331	390	382	392	1,495	394	444	424	428	1,690	1.
37	49	31	29	146	31	32	32	32	127	2.
32	20	13	14	79	41	21	16	12	90	3.
400	459	426	435	1,720	466	497	472	472	1,907	4.
2,310	2,506	2,550	3,147	10,513	2,467	2,661	2,680	3,242	11,050	5.
428	605	516	512	2,061	458	574	512	494	2,038	6.
1,464	1,506	1,452	1,560	5,982	1,594	1,619	1,558	1,667	6,438	7.
4,202	4,617	4,518	5,219	18,556	4,519	4,854	4,750	5,403	19,526	8.
274	188	566	171	1,199	420	289	667	227	1,603	9.
-229	-195	926	-333	169	-253	-126	577	-379	-181	10.
45	-7	1,492	-162	1,368	167	163	1,244	-152	1,422	11.
4,647	5,069	6,436	5,492	21,644	5,152	5,514	6,466	5,723	22,855	12.
(4,247)	(4,610)	(6,010)	(5,057)	(19,924)	(4,686)	(5,017)	(5,994)	(5,251)	(20,948)	13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2. Military Pay and Allowances.....	372	400	404	400	394
3. Investment Income.....	3,864	4,304	4,512	4,676	4,339
Net Income of Unincorporated Business:					
4. Accrued Net Income of Farm Operators from Farm Production <sup>1</sup> .	1,312	1,448	1,412	1,444	1,404
5. Net Income of Non-Farm Unincorporated Business <sup>2</sup> .....	1,752	1,776	1,812	1,832	1,793
6. NET NATIONAL INCOME AT FACTOR COST.....	19,660	20,600	21,116	21,584	20,740
7. Indirect Taxes less Subsidies.....	3,096	3,192	3,284	3,380	3,238
8. Depreciation Allowances and Similar Business Costs.....	2,844	2,916	2,992	3,072	2,956
9. Residual Error of Estimate.....	148	-24	44	-88	20
10. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	25,748	26,684	27,436	27,948	26,954
11. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(24,436)	(25,236)	(26,024)	(26,504)	(25,550)

1. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

2. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1955				V
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	16,488	17,020	17,332	17,716	17,139
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,632	4,680	4,772	4,828	4,728
Gross Domestic Investment: <sup>2</sup>					
3. New Residential Construction.....	1,376	1,432	1,536	1,576	1,480
4. New Non-Residential Construction.....	1,752	1,776	1,852	2,012	1,848
5. New Machinery and Equipment.....	1,748	1,884	2,040	2,116	1,947
6. Change in Inventories.....	380	208	740	712	510
7. (Business Inventories only) <sup>3</sup> .....	(276)	(-16)	(528)	(488)	(319)
8. Exports of Goods and Services.....	5,532	5,752	5,864	5,908	5,764
9. Deduct: Imports of Goods and Services.....	-6,012	-6,096	-6,656	-7,008	-6,443
10. Residual Error of Estimate.....	-148	28	-44	88	-19
11. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	25,748	26,684	27,436	27,948	26,954

1. Includes outlay on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes the change in inventories of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals.

3. Excludes grain in commercial channels and farm inventories.



NATIONAL PRODUCT, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956					1957				
I	II	III	IV	Year	I	II	III	IV	Year
13,636	14,108	14,560	14,832	14,284	15,072	15,284	15,588	15,432	15,344 1.
372	424	452	448	424	456	456	512	480	476 2.
4,748	4,784	4,736	4,860	4,782	4,844	4,712	4,604	4,480	4,660 3.
1,492	1,536	1,508	1,648	1,546	1,208	1,212	1,112	1,052	1,146 4.
1,916	1,920	2,012	1,956	1,951	1,948	1,976	1,988	2,012	1,981 5.
22,164	22,772	23,268	23,744	22,987	23,528	23,640	23,804	23,456	23,607 6.
3,480	3,628	3,604	3,692	3,601	3,868	3,780	3,800	3,760	3,802 7.
3,128	3,228	3,332	3,412	3,275	3,488	3,548	3,548	3,612	3,549 8.
0	76	148	272	124	48	28	184	172	108 9.
28,772	29,704	30,352	31,120	29,987	30,932	30,996	31,336	31,000	31,066 10.
(27,280)	(28,168)	(28,844)	(29,472)	(28,441)	(29,724)	(29,784)	(30,224)	(29,948)	(29,920) 11.

BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956					1957				
I	II	III	IV	Year	I	II	III	IV	Year
17,936	18,284	18,808	19,196	18,556	19,364	19,344	19,652	19,744	19,526 1.
4,884	5,160	5,392	5,400	5,209	5,348	5,616	5,664	5,540	5,542 2.
1,600	1,604	1,540	1,472	1,554	1,368	1,356	1,384	1,456	1,391 3.
2,192	2,500	2,696	2,968	2,589	3,088	3,244	3,292	3,308	3,233 4.
2,368	2,552	2,764	2,800	2,621	2,888	2,748	2,672	2,460	2,692 5.
1,052	888	676	1,140	939	376	356	176	-216	173 6.
(760)	(920)	(532)	(756)	(742)	(592)	(456)	(272)	(-108)	(303) 7.
6,124	6,484	6,348	6,400	6,339	6,480	6,220	6,472	6,328	6,375 8.
-7,388	-7,692	-7,720	-7,988	-7,697	-7,932	-7,864	-7,792	-7,444	-7,758 9.
4	-76	-152	-268	-123	-48	-24	-184	-176	-108 10.
28,772	29,704	30,352	31,120	29,987	30,932	30,996	31,336	31,000	31,066 11.

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1955				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income.....	12,360	12,672	12,976	13,232	12,810
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-408	-416	-428	-440	-423
3. Military Pay and Allowances.....	372	400	404	400	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> ..	1,224	1,516	1,360	1,428	1,382
5. Net Income of Non-Farm Unincorporated Business.....	1,752	1,776	1,812	1,832	1,793
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> .....	1,968	1,880	1,976	2,004	1,957
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,760	1,756	1,708	1,700	1,731
8. Charitable Contributions by Corporations.....	28	32	32	32	31
9. Net Bad Debt Losses of Corporations.....	24	24	28	28	26
10. PERSONAL INCOME.....	19,080	19,640	19,868	20,216	19,701

1. This item differs from line 4, Table 5, in that it excludes undistributed earnings (and the inventory valuation adjustment) of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1955				Year
	I	II	III	IV	
Personal Direct Taxes:					
1. Income Taxes.....	1,308	1,236	1,320	1,324	1,297
2. Succession Duties.....	100	100	156	152	127
3. Miscellaneous.....	64	64	64	76	67
4. Total Personal Direct Taxes.....	1,472	1,400	1,540	1,552	1,491
Personal Expenditure on Consumer Goods and Services:					
5. Non-Durable Goods.....	9,324	9,612	9,760	9,996	9,673
6. Durable Goods.....	1,720	1,916	2,008	2,032	1,919
7. Services <sup>1</sup> .....	5,444	5,492	5,564	5,688	5,547
8. Total Personal Expenditure on Consumer Goods and Services....	16,488	17,020	17,332	17,716	17,139
9. Total Personal Saving.....	1,120	1,220	996	948	1,071
10. PERSONAL INCOME.....	19,080	19,640	19,868	20,216	19,701
11. (Personal Disposable Income) <sup>2</sup> .....	(17,608)	(18,240)	(18,328)	(18,664)	(18,210)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956					1957						
I	II	III	IV	Year	I	II	III	IV	Year		
13,636	14,108	14,560	14,832	14,284	15,072	15,284	15,588	15,432	15,344	1.	
-452	-464	-476	-464	-464	-496	-496	-524	-528	-511	2.	
372	424	452	448	424	456	456	512	480	476	3.	
1,476	1,560	1,428	1,640	1,526	1,280	1,296	1,048	988	1,153	4.	
1,916	1,920	2,012	1,956	1,951	1,948	1,976	1,988	2,012	1,981	5.	
2,044	2,056	2,112	2,176	2,097	2,192	2,260	2,312	2,320	2,271	6.	
1,772	1,752	1,768	1,768	1,765	1,892	1,940	2,124	2,376	2,083	7.	
32	36	36	36	35	32	32	32	32	32	8.	
24	24	28	28	26	24	24	28	28	26	9.	
20,820	21,416	21,920	22,420	21,644	22,400	22,772	23,108	23,140	22,855	10.	

INCOME, BY QUARTERS, 1955-1957  
AT ANNUAL RATES  
of dollars)

1956					1957						
I	II	III	IV	Year	I	II	III	IV	Year		
1,392	1,432	1,564	1,592	1,495	1,624	1,676	1,712	1,748	1,690	1.	
148	196	124	116	146	124	128	128	128	127	2.	
76	80	88	72	79	96	84	108	72	90	3.	
1,616	1,708	1,776	1,780	1,720	1,844	1,888	1,948	1,948	1,907	4.	
10,196	10,272	10,668	10,916	10,513	10,924	10,976	11,116	11,184	11,050	5.	
1,948	2,100	2,112	2,084	2,061	2,124	1,984	2,076	1,968	2,038	6.	
5,792	5,912	6,028	6,196	5,982	6,316	6,384	6,460	6,592	6,438	7.	
17,936	18,284	18,808	19,196	18,556	19,364	19,344	19,652	19,744	19,526	8.	
1,268	1,424	1,336	1,444	1,368	1,192	1,540	1,508	1,448	1,422	9.	
20,820	21,416	21,920	22,420	21,644	22,400	22,772	23,108	23,140	22,855	10.	
(19,204)	(19,708)	(20,144)	(20,640)	(19,924)	(20,556)	(20,884)	(21,160)	(21,192)	(20,948)	11.	



TABLE 9. GROSS NATIONAL EXPENDITURE IN (1949)  
UNADJUSTED  
(millions)

	1955				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.....	3,255	3,663	3,537	4,070	14,525
2. Non-Durable Goods.....	1,909	2,136	2,114	2,565	8,724
3. Durable Goods.....	346	506	466	474	1,792
4. Services.....	1,000	1,021	957	1,031	4,009
5. Government Expenditure on Goods and Services.....	873	757	951	883	3,464
Gross Domestic Investment:					
6. New Residential Construction.....	196	286	323	317	1,122
7. New Non-Residential Construction.....	274	321	403	367	1,365
8. New Machinery and Equipment.....	324	457	392	382	1,555
9. Change in Inventories.....	-185	-94	1,057	-392	386
10. (Business Inventories only).....	(144)	(-13)	(12)	(-33)	(110)
11. Exports of Goods and Services.....	1,084	1,251	1,372	1,301	5,008
12. Deduct: Imports of Goods and Services.....	-1,257	-1,437	-1,488	-1,552	-5,734
13. Residual Error of Estimate.....	-38	6	24	-7	-15
14. GROSS NATIONAL EXPENDITURE.....	4,526	5,210	6,571	5,369	21,676

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure. It should be noted that no implicit deflator can be derived for Gross National Expenditure as a whole without first making allowance for the inventory valuation adjustment.

TABLE 10. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1955-1957  
SAVING  
(millions of dollars)

	1955	1956	1957
1. Personal Saving.....	1,071	1,368	1,422
2. Gross Business Saving:			
(a) Undistributed corporation profits.....	910	1,030	857
(b) Depreciation allowances and similar business costs.....	2,956	3,275	3,549
(c) Net bad debt losses of corporations <sup>1</sup> .....	-26	-26	-26
(d) Adjustment on grain transactions.....	22	20	-7
(e) Inventory valuation adjustment (n.e.i.).....	-1	-1	+1
3. Government Surplus (+) or Deficit (-) <sup>2</sup> .....	135	432	94
4. Residual Error of Estimate.....	20	123	108
5. Total.....	5,087	6,221	5,998

1. Since these are included in both personal saving (item 1) and depreciation allowances and similar business costs (2b), they are deducted here to avoid double counting.

2. Includes surplus (or deficit) of federal, provincial and municipal governments, adjusted to National Accounts definitions.

CONSTANT DOLLARS, BY QUARTERS, 1955-1957  
FOR SEASONALITY <sup>1, 2</sup>  
(in millions of dollars)

1956					1957				
I	II	III	IV	Year	I	II	III	IV	Year
3,533	3,888	3,764	4,317	15,502	3,662	3,924	3,809	4,354	15,749
2,092	2,259	2,268	2,771	9,390	2,158	2,320	2,315	2,807	9,600
395	559	483	465	1,902	403	505	459	445	1,812
1,046	1,070	1,013	1,081	4,210	1,101	1,099	1,035	1,102	4,337
843	791	1,034	944	3,612	852	823	1,048	923	3,646
219	309	318	291	1,137	178	254	276	287	995
324	426	550	510	1,810	441	540	657	553	2,191
411	583	499	468	1,961	488	583	450	396	1,917
-49	-141	1,134	-325	619	-42	-117	751	-499	93
(259)	(111)	(-28)	(26)	(368)	(252)	(70)	(-26)	(-74)	(222)
1,143	1,384	1,456	1,378	5,361	1,168	1,299	1,469	1,395	5,331
-1,455	-1,781	-1,670	-1,737	-6,643	-1,538	-1,774	-1,649	-1,585	-6,546
-21	19	5	-100	-97	-14	31	-4	-94	-81
4,948	5,478	7,090	5,746	23,262	5,195	5,563	6,807	5,730	23,295

TABLE 11. NATIONAL SAVING AND INVESTMENT ACCOUNT, 1955-1957  
INVESTMENT  
(millions of dollars)

	1955	1956	1957
1. Gross Domestic Investment: <sup>1</sup>			
(a) New residential construction.....	1,480	1,554	1,391
(b) New non-residential construction.....	1,848	2,589	3,233
(c) New machinery and equipment.....	1,947	2,621	2,692
(d) Change in inventories.....	510	939	173
2. Net Foreign Investment:			
(a) U.S.A.....	-998	-1,594	-1,497
(b) U.K. and other Sterling Area.....	383	291	123
(c) Other countries.....	-64	-55	-9
3. Residual Error of Estimate.....	-19	-124	-108
4. TOTAL.....	5,087	6,221	5,998

1. See footnote 2, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, see Table 15.

TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1955-1957  
REVENUE  
(millions of dollars)

	1955	1956	1957
1. Direct Taxes — Persons.....	1,491	1,720	1,907
2. Federal.....	1,325	1,550	1,722
3. Provincial and Municipal.....	166	170	185
4. Direct Taxes — Corporations.....	1,262	1,410	1,284
Income and Profits Taxes			
5. Federal.....	1,200	1,333	1,070
6. Provincial.....	62	77	214
Withholding Taxes			
7. Federal.....	67	68	83
8. Indirect Taxes.....	3,317	3,722	3,910
9. Federal.....	1,744	1,972	1,990
10. Provincial and Municipal.....	1,573	1,750	1,920
11. Investment Income.....	641	711	708
12. Federal.....	248	295	246
13. Provincial and Municipal.....	393	416	462
14. Employer and Employee Contributions to Social Insurance and Pension Funds.....	423	464	511
15. Federal.....	284	321	340
16. Provincial and Municipal.....	139	143	171
Transfers from Other Governments			
17. Provincial and Municipal.....	450	481	520
18. Total Revenue.....	7,651	8,576	8,923
19. Federal.....	4,868	5,539	5,451
20. Provincial and Municipal.....	2,783	3,037	3,472
21. Deficit (+) or Surplus (-) <sup>1</sup> .....	-135	-432	-94
22. Federal.....	-182	-589	-206
23. Provincial and Municipal.....	+47	+157	+112
24. Total Revenue plus Deficit (or minus Surplus).....	7,516	8,144	8,829
25. Federal.....	4,686	4,950	5,245
26. Provincial and Municipal.....	2,830	3,194	3,584

1. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.



TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1955-1957

EXPENDITURE  
(millions of dollars)

	1955	1956	1957
1. Goods and Services.....	4,728	5,209	5,542
2. Federal <sup>1</sup> .....	2,461	2,631	2,669
3. Provincial and Municipal.....	2,267	2,578	2,873
4. Transfer Payments.....	2,259	2,333	2,659
5. Federal.....	1,700	1,720	1,950
6. Provincial and Municipal.....	559	613	709
7. Subsidies.....	79	121	108
8. Federal.....	75	118	106
9. Provincial and Municipal.....	4	3	2
Transfers to Other Governments			
10. Federal.....	450	481	520
11. Total Expenditure.....	7,516	8,144	8,829
12. Federal.....	4,686	4,950	5,245
13. Provincial and Municipal.....	2,830	3,194	3,584

1. Includes defence expenditure of \$1,756 million in 1955; \$1,800 in 1956; \$1,768 in 1957.

TABLE 14. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), BY INDUSTRY,<sup>1</sup> 1955-1957  
(millions of dollars)

	1955	1956	1957
1. Agriculture.....	426	488	481
Fishing and Trapping.....			
2. Forestry.....	63	76	43
3. Mining, Quarrying and Oil Wells.....	336	542	585
4. Manufacturing.....	947	1,394	1,426
5. Construction.....	174	200	161
6. Transportation and Storage.....	400	739	1,088
7. Communication.....	217	252	300
8. Public Utility Operation.....	476	728	920
9. Trade.....	329	325	380
10. Finance, Insurance and Real Estate <sup>2</sup> .....	1,582	1,678	1,534
11. Service <sup>3</sup> .....	325	342	398
12. Total.....	5,275	6,764	7,316

1. This Table is derived from "Private and Public Investment in Canada, Outlook, 1957" and "Private and Public Investment in Canada, Outlook, 1958" (Department of Trade and Commerce); adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15.

2. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, Line 3.

3. Excludes government departmental expenditures, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.

TABLE 15. GROSS DOMESTIC INVESTMENT (EXCLUDING INVENTORIES), 1955-1957  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	6,350	8,024	8,721
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> ....	-19	-21	-24
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> ...	-967	-1,137	-1,273
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup>	-89	-102	-108
5. Total Gross Domestic Investment (excluding inventories) (1-2-3-4+5) = (6+7+8) .....	5,275	6,764	7,316
6. New Residential Construction <sup>4</sup> .....	1,480	1,554	1,391
7. New Non-Residential Construction <sup>4</sup> .....	1,848	2,589	3,233
8. New Machinery and Equipment <sup>4</sup> .....	1,947	2,621	2,692

- 
1. As presented in the publications "Private and Public Investment in Canada, Outlook, 1957" and "Private and Public Investment in Canada, Outlook, 1958", Department of Trade and Commerce.
  2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint Federal-Provincial housing (Section 36, N.H.A.).
  3. Included in "Government Expenditure on Goods and Services" line 2, Table 2.
  4. See also lines 3, 4 and 5, Table 2.

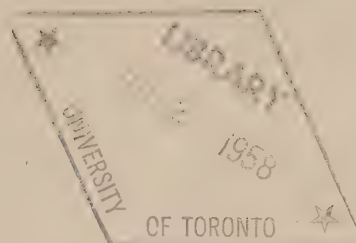
TABLE 16. ANALYSIS AND RECONCILIATION OF EXPORTS AND IMPORTS, 1955-1957  
(millions of dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>
Exports of Goods and Services:			
1. Merchandise Exports <sup>1</sup> .....	4,332	4,833	4,909
2. Gold available for Export <sup>1</sup> .....	155	150	147
3. Receipts from Services rendered to Non-Residents (including dividends and interest received from abroad).....	1,363	1,454	1,439
4. Subtotal: "Current Receipts" as per "Canadian Balance of International Payments" <sup>1</sup> .....	5,850	6,437	6,495
5. Adjustments <sup>2</sup> .....	-86	-98	-120
6. Total "Exports of Goods and Services" as per National Accounts <sup>3</sup>	5,764	6,339	6,375
Imports of Goods and Services:			
7. Merchandise Imports <sup>1</sup> .....	4,543	5,567	5,487
8. Payments for Services rendered by Non-Residents (including interest and dividends paid abroad).....	2,005	2,242	2,391
9. Subtotal: "Current Payments" as per "Canadian Balance of International Payments" <sup>1</sup> .....	6,548	7,809	7,878
10. Adjustments <sup>2</sup> .....	-105	-112	-120
11. Total "Imports of Goods and Services" as per National Accounts <sup>3</sup>	6,443	7,697	7,758

- 
1. As presented in reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics). Excludes Mutual Aid to N.A.T.O. Countries 1955-1957.
  2. Migrants' funds and inheritances.
  3. See also Table 2.

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**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**FIRST QUARTER**  
**1958**

*Published by Authority of*  
The Honourable Gordon Churchill, Minister of Trade and Commerce

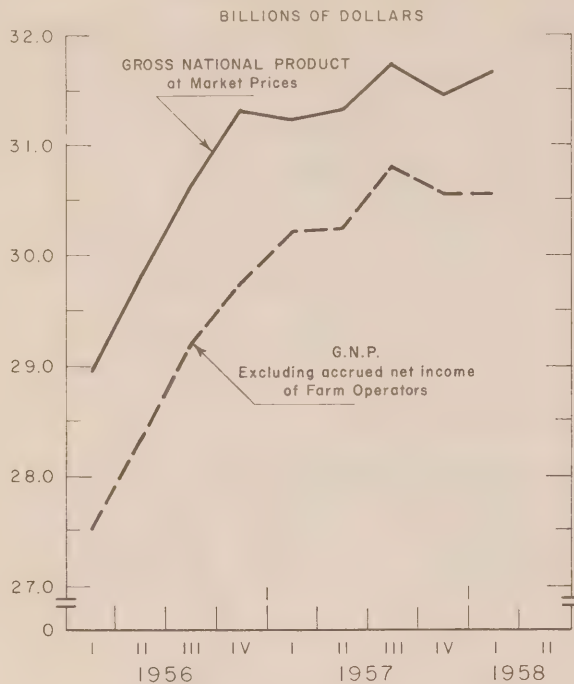
**DOMINION BUREAU OF STATISTICS**  
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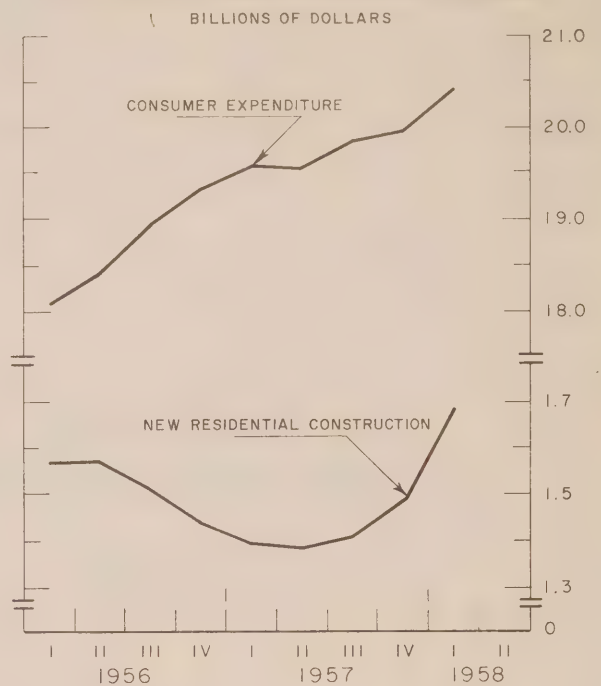
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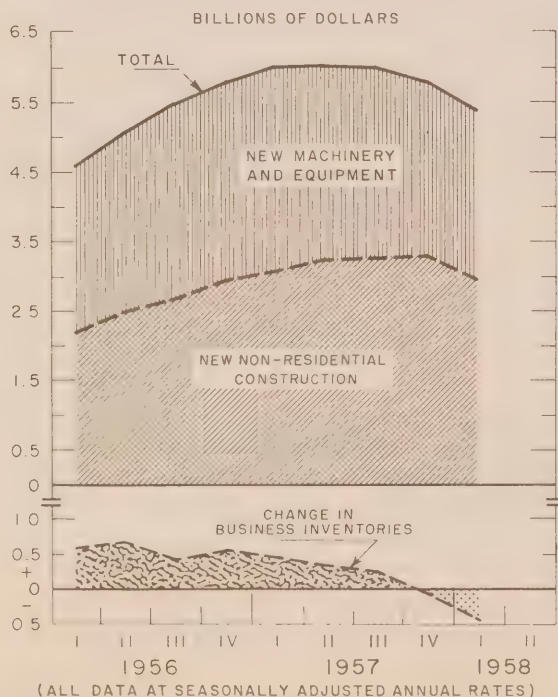
**NON-FARM PRODUCTION SHOWED LITTLE  
CHANGE IN THE 1st QUARTER, FOLLOWING A SLIGHT  
DECLINE IN THE FOURTH.**



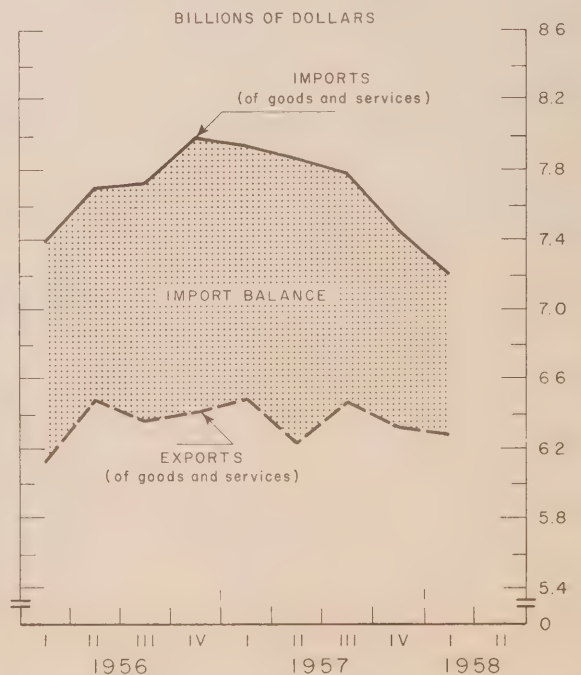
**CONSUMER EXPENDITURES AND HOUSING CONTINUED  
TO PROVIDE THE MAIN ELEMENTS OF SUPPORT TO  
THE FLOW OF EXPENDITURES IN THE ECONOMY.**



**INVENTORY LIQUIDATION DEEPENED IN THE  
1st QUARTER, AND BUSINESS FIXED CAPITAL  
FORMATION DECLINED SHARPLY.**



**BOTH EXPORTS AND IMPORTS OF GOODS AND  
SERVICES CONTINUED TO MOVE DOWNWARD  
IN THE FIRST QUARTER.**



The value of the nation's total output of goods and services amounted to \$31,676 million in the first quarter of 1958, little changed from the level of the preceding quarter, after seasonal adjustment. Apart from the farm sector, which includes an arbitrary estimate of crop production for the year 1958,<sup>1</sup> the level of non-farm production of goods and services was virtually the same as in the fourth quarter. However, final product prices were slightly higher in the quarter, so that a small drop in the volume of non-farm production is implied. Available evidence indicates that the decline in volume in the first quarter was not more than one-half of one per cent, or considerably less than the moderate drop in output which occurred in the fourth quarter. Compared with the same period one year ago, the volume of non-farm output in the first quarter is estimated to be down by less than two per cent.

This relative stability in production in the first quarter was accompanied by a further fall-off in business capital investment outlays, a higher rate of inventory liquidation, and a moderate weakening in the trend of exports, — and reflected the offsetting influences of a marked increase in consumer expenditures, a sharp upswing in outlays for housing, and an increase in government expenditures. Imports continued to bear a part of the impact of easing demand, and were further reduced in the first quarter. The flow of income to the personal sector of the economy was well sustained in the first quarter, with labour income holding level, a sharp gain in cash income receipts of farmers, and a continuation of the rising trend of transfer payments and interest and dividend receipts. As a result, the rise in personal income in the first quarter exceeded the rise in national income.

Selected Components of Income and Expenditure  
(Per cent change from 4th to 1st Quarter)  
(seasonally adjusted)

<u>Income</u>		<u>Expenditure</u>	
Wages, salaries, etc. ....	-	Personal expenditure.....	2
Corporation profits* .....	-	Government expenditure.....	2
Rents, interest and misc.		Residential construction.....	13
investment income.....	-1	Non-residential construction....	-11
Net income of non-farm unincor-		Machinery and equipment.....	-1
porated business.....	2		
Accrued net income of farm		Non-farm business inventories	
operators from farm production...	22	(\$-84 Mn. to \$-460 Mn.)	
Gross National Product (ex		Exports, goods and services.....	-1
accrued net income of farm		Imports, goods and services.....	-3
operators).....	-		
Transfer payments.....	2		
Interest, dividends and net			
rental income (persons).....	1		
Personal income.....	2		

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\* After adjustment for dividends paid abroad.

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1. The value of crop production in the first quarter of 1958 is taken as one-quarter of the estimated value of production for the year as a whole, the latter being calculated on the basis of ten-year average yields, current acreage intentions and initial prices. The current estimates on this basis provide for an increase of about \$120 million between 1957 and 1958 in the value of crop production, and this is reflected in the change from the fourth to the first quarters in the seasonally adjusted data of Gross National Product and accrued net income of farm operators.



These developments in production, income and expenditure in the first quarter were accompanied by a further decline (of about 1 1/2 per cent) in the number of persons with jobs in the non-farm sector of the economy, seasonally adjusted. Those without jobs and seeking work averaged 7 per cent of the labour force compared with 6 per cent in the preceding quarter.

### Trends in Production

Indicators of production in the non-agricultural segment of the economy continued to show mixed trends in the first quarter, with the service-producing industries showing on the whole greater strength than the commodity-producing industries. However, in both broad groups divergent and conflicting movements were apparent. Among the service-producing industries, the output of the transportation, communication and storage groups continued to decline, reflecting the fall-off in railway car loadings, and reduced activity in trucking. A further expansion of output occurred in trade and other service groups. Among the goods-producing industries, construction and manufacturing showed small losses in output but appreciable gains occurred in forestry and in mining, the latter reflecting a sharp increase in crude oil production from the low fourth quarter.

In manufacturing, the major part of the 1 per cent drop in production is accounted for by the durable group. Seasonally adjusted, most of the durable goods manufacturing industries continued to decline from the fourth quarter of 1957 to the first quarter of 1958, the most pronounced decline (about 8 per cent) being in non-metallic mineral products, and in transportation equipment. Wood products and non-ferrous metal products, where production had fallen sharply in 1957, registered gains in the first quarter of 1958.

Among the non-durable groups, trends in production were mixed, with rubber products and textile products showing a drop in production of 16 and 8 per cent respectively. There was a moderate decline in production in leather products and chemical products, but most other non-durable groups showed a slight increase.

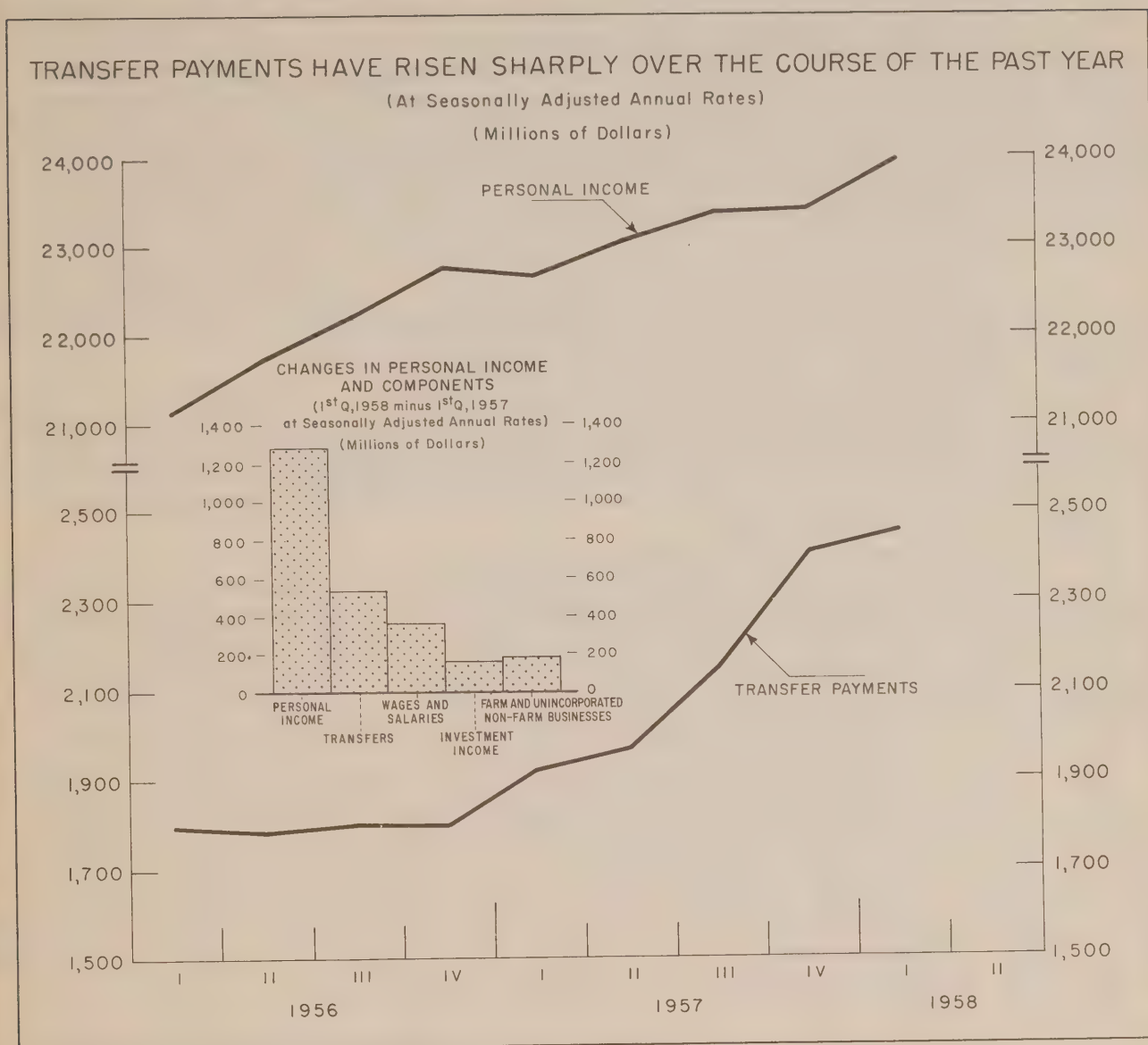
Turning to a comparison of Canada and the U.S., declines in the seasonally adjusted index of industrial production in Canada (which covers manufacturing, mining, and electricity and gas) have been moderate since the peak reached in February of last year. From February 1957 to March 1958 the decline amounted to 5 1/2 per cent. In the same period, manufacturing production declined more than 8 per cent (durables -13 per cent, non-durables -4 per cent), but mining production registered a slight gain of about 1 per cent; output of gas and electricity showed an advance of 7 per cent.

In the United States, the index of industrial production reached its peak somewhat earlier, in December 1956, and although no distinct downward tendency became apparent until well on in 1957, by March of 1958 the drop amounted to 13 per cent. The decline in manufacturing production was also 13 per cent in this period and, as in Canada, the decline in durable manufactures was the more pronounced, amounting to 19 per cent. The fall in mining production in the United States matched that in manufacturing (-13 per cent), but output of gas and electricity continued to rise (+7 per cent).



## COMPONENTS OF INCOME AND EXPENDITURE

### Personal Income, Expenditure and Saving



The increase in personal income since the first quarter of 1957 has amounted to about 6 per cent, one-half of which is accounted for by a very sharp advance in transfer payments from government of 28 per cent. About one-half of this increase in transfer payments, in turn, is accounted for by unemployment insurance benefits, with the balance mainly attributable to the higher rates which came into effect during 1957 on old age security fund payments, family allowances, and payments to veterans. Payments under the Prairie Farm Assistance Act were also higher, compared with a year ago, reflecting adverse crop conditions in Western Canada and an upward adjustment in rates. An additional supporting element to personal income has been the fact that interest, dividends, and net rental income of persons has continued to rise over the year, by about 7 per cent, compared with a drop in investment income entering national income of about 8 per cent; this reflects in part the fact that dividend payments have continued to rise in spite of a sharp drop in profits of 16 per cent (before dividends paid abroad).

These developments have accounted for the 6 per cent gain in personal income over the past twelve months (compared with very little change in national income) and were accompanied by an advance in consumer expenditure on goods and services of 4 per cent over the course of the year.

The rise in personal income from the fourth to the first quarter, seasonally adjusted, was also somewhat larger than the gain in national income. A major factor in the divergence was an interim payment by the Canadian Wheat Board on deliveries from the 1956-1957 wheat crop of \$39 million (approximately \$160 million at annual rates). In addition, transfer payments from government continued to give support to the total flow of income in the personal sector, showing a further increase of about 2 per cent.

Consumer expenditure in the first quarter of 1958 was running at a seasonally adjusted annual rate of \$20,432 million, an increase of a little more than 2 per cent from the rate of the preceding quarter. About half of this increase represents higher prices prevailing in the consumer sector.

Consumer purchases of non-durables increased at approximately the same rate as consumer expenditure as a whole. Consumption of all categories of non-durables increased, with two exceptions -- alcoholic beverages, which were unchanged, and fuel, which declined. The highest rates of increase occurred in purchases of food and clothing.

Consumer purchases of durables rose to \$2,492 million, a gain of 7 per cent from the level of the preceding quarter. Most of this substantial increase is attributable to larger sales of passenger cars; purchases of home furnishings, furniture and appliances were all only a little higher than in the preceding quarter. The value of new passenger car sales in the first quarter of 1958 was well above the last quarter of 1957, on a seasonally adjusted basis.

With regard to recent trends in consumer durable expenditures, Canadian experience has differed from that of the United States. In Canada, consumer purchases of durables moved rather erratically in 1957, rising in the first and third quarters, and falling in the other two quarters, leaving the annual average slightly higher than that of 1956. In the United States, consumer purchases of durables fell gradually during 1957, although the annual average was significantly higher than in 1956, and the largest decrease came in the first quarter of 1958 when purchases of durables were the lowest in three years.

Personal expenditure on services rose by about 1 per cent, seasonally adjusted, with slightly more than half of this increase attributable to higher prices. The rise in expenditure on services in the first quarter was at a somewhat lower rate than in most recent quarters. This moderating rate of rise appears to be associated with an easing of the pressure on prices in the service sector, mainly rents.

As noted, the rise in consumer expenditure from the fourth to first quarter, seasonally adjusted, was closely matched by the increase in personal income of 2 per cent. With personal direct taxes showing little change, the level of personal saving in the first quarter was not greatly different from that of the fourth<sup>1</sup>. However, over the course of the past twelve months, personal saving has risen moderately, as the increase in consumer expenditures since one year ago has fallen short of the advance in personal disposable income.

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1. After allowing for the estimated increase of \$120 million in crop production.



## Government Expenditure on Goods and Services

Government expenditure on goods and services in the first quarter of 1958, at \$5,736 million, were running at a rate about 5 per cent above the level one year ago. Gains were most pronounced at the provincial and municipal levels, with a sharp rise in federal expenditures for non-defence purposes being substantially offset by a drop in defence expenditures. Compared with the fourth quarter of 1957, the seasonally adjusted total of government expenditure in the first quarter of this year was estimated to be higher by about 2 per cent. It may be noted that the forecast of capital investment outlays which was published in March, indicated substantial gains in government investment expenditures for the year 1958; projected capital investment outlays at the federal level were estimated at 11 per cent over the year 1957; at the provincial level 10 per cent; and at the municipal level 5 per cent.

## Business Gross Fixed Capital Formation

Investment in durable physical assets in the first quarter of 1958 was at a seasonally adjusted annual rate of \$7,096 million, a decline of nearly 3 per cent from the fourth quarter of 1957. A further significant expansion in residential construction partially offset the falling off in business expenditures for plant and equipment.

With more money available in mortgage markets (largely as a result of additional federal government funds) and easier terms for borrowers, the pick-up in residential construction that first began to be apparent in the spring of 1957 was extended into the first quarter of 1958. Housing starts in urban centres were at a seasonally adjusted annual rate of over 126,000 units, up about 12 per cent from the fourth quarter of 1957, and more than twice as high as a year earlier. Completions in these centres were estimated at a little over 100,000 units in the first quarter of 1958, considerably higher than the 79,000 units in the last quarter of 1957. The value of new residential construction is estimated at \$1,688 million, at a seasonally adjusted annual rate, 13 per cent higher than in the last quarter of 1957, which in turn was 5 per cent above the level of the third quarter. Some evidence of upward pressure on prices continues to be apparent in this sector and a small part of the value increase represents higher prices.

For the first time since the up-turn in non-residential construction, which began in the last quarter of 1954, this component fell below the level of the preceding quarter. The estimate for the first quarter of 1958 is \$2,952 million, seasonally adjusted, a drop of nearly 11 per cent from the last quarter of 1957. As in residential construction, the estimate for non-residential construction embodies a small element of price increase. It may be noted that government construction outlays, which are expected to be higher in 1958, are not included in these figures.

The declining trend in capital outlays for machinery and equipment continued in the first quarter, but the drop of about 1 per cent was much smaller than in the three preceding quarters. Prices continued to rise in the quarter, so that the decline in value represents a fall of about 2 per cent in volume terms.

It is interesting to consider the estimate of investment in durable physical assets in the first quarter in the light of the forecast made early in the year. It was then estimated that the value of new residential construction would rise about 16 per cent, while non-residential construction and purchases



of new machinery and equipment would decline by 8 and 11 per cent, respectively. These expectations may be compared with the current estimates for the first quarter, which show the value of residential construction at an annual rate of about 18 per cent above the 1957 average and non-residential construction and purchases of machinery and equipment lower by 9 and 10 per cent respectively.

### Investment in Inventories

A tendency toward lower investment in non-farm business inventories became apparent early in 1957 and by the last quarter moderate liquidation was taking place. Liquidation on a larger scale occurred in the first quarter of 1958 when stocks were being drawn down at the rate of \$460 million. This liquidation represents a swing in inventory investment of over \$900 million at seasonally adjusted annual rates from the high level of the first quarter of 1957.

Manufacturing inventories accounted for the major part of the first quarter drawing down of business stocks, with the rate of liquidation deepening from the fourth quarter. Retail trade inventories, which were still showing some accumulation in the fourth quarter, shifted to moderate liquidation in the first. There was very little change in wholesale inventories in the first quarter, following some liquidation in the fourth.

Among the manufacturing industries, the heaviest liquidations occurred in the transportation equipment, iron and steel, electrical apparatus, wood products and food groups. Except for the last named group, liquidation had been evident in these groups in the preceding quarter. In tobacco, paper, and petroleum products, there was a moderate accumulation of stocks in the first quarter.

The liquidation of stocks in retail trade was more moderate than in manufacturing. Among the non-durable groups the drawing down of inventories was fairly general but among the durable groups accumulation in the farm implements and house furnishings partially offset the liquidation in the motor vehicle, hardware and building materials groups. In wholesale trade, the trends were mixed and offsetting.

The recent drawing down of inventory stocks was associated with a declining trend in shipments, so that the ratio of stocks to sales in manufacturing remained high compared with the ratios experienced in the first quarters of recent years. In wholesale trade, too, the ratio showed some increase over the year. Among manufacturing industries, relatively high stock-sales ratios were particularly evident in the iron and steel, and wood products groups. On the other hand, in retail trade the further expansion in sales in the first quarter was met in part out of stocks which were not being replenished from current production, bringing the ratio of stocks to sales down to the lowest first quarter level since 1953. This applies to retail trade as a whole; certain industry groups, such as motor vehicles, continued to experience high stock-sales ratios in the first quarter of 1958.

### Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, showed little change from the fourth to first quarter, being off by about 1 per cent. The small change in the total merchandise exports conceals substantial gains and losses in some of the main commodity groups. Advances occurred in animals and animal products (including cattle and meat), in agricultural and vegetable

products (including wheat), and in chemical and allied products. There was also some increase in iron and its products. On the other hand, there were losses in non-metallic minerals and their products (including petroleum), in wood, wood products and paper, and in miscellaneous commodities; and exports of non-ferrous metals were just a little below the level of the fourth quarter of 1957, in spite of a continuing increase in exports of uranium ores and concentrates.

Imports of goods and services, seasonally adjusted, declined by about 3 per cent from the fourth to the first quarter. A large part of this decline arises from a contraction in merchandise imports, reflecting in part the impact of reduced business investment in plant and equipment in Canada. Almost all commodity groups shared in the decline, which suggests that the drawing down of inventories also contributed to the contraction in demand for imported goods. The upsurge in merchandise imports had reached its peak in the first quarter of 1957 and each subsequent quarter has registered a moderate decline.

The changes in transactions on invisible items in the current international account from the fourth quarter of 1957 to the first quarter of 1958, seasonal factors apart, were on the whole of minor importance, with little change in receipts and a small decline in payments; the effect was thus to narrow slightly the deficit on invisible account. On goods and services together, the deficit is estimated at an annual rate of about \$0.9 billion in the first quarter of 1958.

#### Labour Income

Seasonally adjusted at annual rates, labour income in the first quarter of 1958 amounted to \$15,932 million, virtually the same as in the last quarter of 1957. This stability in the wage and salary figures follows a decline of 1 per cent in the preceding quarter, and reflects in part the fact that the steep fourth quarter drop in the earnings of forestry workers was not continued in the first quarter. Elsewhere in the economy, offsetting movements in the labour income figures tended to cancel out, with increases of about 4 per cent occurring in mining and 3 per cent in the services group, counter-balanced by declines of about 2 per cent in manufacturing and in transportation, storage and communication. While the number of paid workers declined further in the first quarter, the effect of this development was substantially offset by the economy-wide tendency toward higher average weekly earnings.

#### Investment Income

Investment income in the first quarter of 1958, seasonally adjusted, is estimated at \$4,476 million, slightly below the \$4,504 million recorded in the preceding quarter. This change is attributable to a further decline in corporate profits as well as a drop in government investment income.

Corporate profits (before adjustment for dividends paid abroad) are estimated to have fallen about 3 per cent in total, although individual industries experienced a marked deterioration in earnings. Among these, manufacturing, mining, and wholesale trade showed the largest declines. Retail trade earnings were higher in the quarter. Dividends paid abroad declined, leaving corporate profits retained in Canada lower by 1 per cent.

Investment income paid out to persons was slightly higher, largely as a result of larger payments in the form of interest and dividends; net rents received by individuals levelled off, after having advanced considerably in previous quarters.



### Net Income of Unincorporated Business

The estimates of accrued net income of farm operators from farm production included in the first quarter, provide for an increase in crop production in 1958 of about \$120 million. (See footnote, page 1). The balance of the increase in this item from the fourth quarter of 1957 (seasonally adjusted) is accounted for by a higher level of livestock production, notably cattle, calves and hogs. It may be noted that farm cash income from the sale of livestock in the first quarter of 1958 was substantially above the level of the fourth quarter.

Net income of non-farm unincorporated business was estimated at \$2,016 million in the first quarter, about 2 per cent above the seasonally adjusted estimate for the fourth quarter. The gain was attributable mainly to increases in the construction and service groups.

### Indirect Taxes Less Subsidies

Indirect taxes less subsidies amounted to \$3,880 million at seasonally adjusted annual rates in the first quarter, an increase of about 3 per cent over the preceding quarter. The increase in indirect taxes alone was somewhat larger since subsidies had risen in the interval. The gain in indirect taxes in the quarter is attributable to federal excise duties, provincial sales taxes, and municipal real property taxes; customs import duties were down, reflecting the decline in imports.

Compared with the first quarter of 1957, indirect taxes were somewhat lower in the first quarter of the present year. The decline in yields was at the Federal level. Revenue from customs import duties and excise taxes was down substantially. Higher yields at the provincial level reflected increased rates of gasoline tax in several provinces and higher revenues from other taxes. Municipal indirect taxes rose even more, largely as a result of increased revenue from real property taxes but there were also some small increases in rates of municipal sales taxes.

Several increases in subsidies raised the level of payments in the first quarter of 1958 somewhat above the same period a year earlier.

### TECHNICAL NOTE

At the present time, the quarterly National Accounts data for the post-war period are in course of being revised to the new annual levels recently published in "National Accounts, Income and Expenditure, 1926-1956". In the current report for the first quarter of 1958, unrevised quarterly data for the year 1956 and 1957 (as published in "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1957") have been arithmetically converted to the new annual levels by linking at the published level of detail. The conversion process consisted of applying the ratio between the new and the old annual level for each of the years 1956 and 1957 to the unrevised quarterly data for each of these years. The quarter to quarter movement of the linked series is therefore identical with that of the old series both for the major components and for the main aggregates.

Major component shares of total Gross National Product differ slightly as between the old and the new sets of data. As a result of these weighting differences, small discrepancies occur between the sum of the components and the main aggregates. To enable the user to sum to a total, minor adjusting entries are therefore required, which are simply a reflection of the weighting differences noted above.





TABLE 1. NATIONAL INCOME AND  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	3,360	3,617	3,841	3,901	14,719
2. Military Pay and Allowances.....	93	106	113	112	424
3. Corporation Profits before Taxes <sup>1</sup> .....	597	792	776	637	2,802
4. Rent, Interest, and Miscellaneous Investment Income....	469	480	510	505	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-21	77	1,240	172	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	373	493	533	538	1,937
7. Inventory Valuation Adjustment <sup>4</sup> .....	-64	-86	-43	-67	-260
8. Adjusting Entry.....	-7	-3	16	-6	-
9. NET NATIONAL INCOME AT FACTOR COST.....	4,800	5,476	6,986	5,792	23,054
10. Indirect Taxes less Subsidies.....	855	909	912	925	3,601
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments.....	790	868	913	944	3,515
12. Residual Error of Estimate.....	-2	-52	-35	101	12
13. Adjusting Entry.....	4	-1	-2	-1	-
14. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	6,447	7,200	8,774	7,761	30,182
15. Line 14 less Line 5.....	6,468	7,123	7,534	7,589	28,714
16. Adjusting Entry.....	4	6	-14	4	-
17. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(6,472)	(7,129)	(7,520)	(7,593)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 12, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services...	4,234	4,652	4,552	5,259	18,697
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,200	1,163	1,504	1,399	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,299	1,800	1,888	1,787	6,774
4. Adjusting Entry.....	-1	-1	1	1	-
5. New Residential Construction.....	291	413	428	394	1,526
6. New Non-Residential Construction.....	459	607	786	737	2,589
7. New Machinery and Equipment.....	550	781	673	655	2,659
8. Value of Physical Change in Inventories <sup>3</sup> .....	80	-28	977	-214	815
9. Non-Farm Business Inventories.....	328	157	6	54	545
10. Farm Inventories and Grain in Commercial Channels..	-248	-185	971	-268	270
11. Exports of Goods and Services.....	1,342	1,634	1,725	1,638	6,339
12. Deduct: Imports of Goods and Services.....	-1,697	-2,069	-1,926	-2,005	-7,697
13. Residual Error of Estimate.....	2	52	35	-101	-12
14. Adjusting Entry.....	-13	-4	19	-2	-
15. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	6,447	7,200	8,774	7,761	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

4. Includes defence expenditures of:

1956					1957					1958
I	II	III	IV	Year	I	II	III	IV	Year	I
490	394	448	468	1,800	509	386	442	431	1,768	473

GROSS NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
of dollars)

11.

1957				1958	
I	II	III	IV	Year	I
3,720	3,929	4,117	4,059	15,825	3,813
108	116	131	121	476	117
566	731	699	509	2,505	452
534	524	568	553	2,179	543
-11	71	838	70	968	-20
374	493	527	547	1,941	397
-29	-30	-7	6	-60	-18
-3	-1	7	-3	-	-5
5,259	5,833	6,880	5,862	23,834	5,279
955	949	964	934	3,802	938
861	933	950	978	3,722	878
12	-49	1	121	85	10
-	-	1	-1	-	-
7,087	7,666	8,796	7,894	31,443	7,105
7,098	7,595	7,958	7,824	30,475	7,125
1	2	-6	3	-	-
(7,099)	(7,597)	(7,952)	(7,827)	(30,475)	(7,125)

General Note: For an explanation of Adjusting Entries, see  
Technical Note at end of text.

EXPENDITURE, BY QUARTERS, 1956-1958  
of dollars)

1957				1958	
I	II	III	IV	Year	I
4,575	4,914	4,809	5,470	19,768	4,794
1,296	1,278	1,600	1,438	5,612	1,363
1,590	1,987	2,006	1,806	7,389	1,532
-2	-	2	-	-	-1
252	363	396	413	1,424	316
649	795	969	820	3,233	614
691	829	639	573	2,732	603
54	-23	558	-447	142	-284
306	81	-39	-105	243	34
-252	-104	597	-342	-101	-318
1,408	1,579	1,761	1,627	6,375	1,364
-1,821	-2,115	-1,948	-1,874	-7,758	-1,650
-13	48	-	-120	-85	-9
-2	-2	10	-6	-	-5
7,087	7,666	8,796	7,894	31,443	7,105



TABLE 3. SOURCES OF PERSONAL

(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	3,360	3,617	3,841	3,901	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds....	-117	-121	-126	-126	-490
3. Military Pay and Allowances.....	93	106	113	112	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-25	83	1,220	170	1,448
5. Net Income of Non-Farm Unincorporated Business.....	373	493	533	538	1,937
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	486	541	524	574	2,125
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	541	419	404	401	1,765
8. Charitable Contributions by Corporations.....	6	8	9	7	30
9. Adjusting Entry.....	-3	-3	12	-6	-
10. PERSONAL INCOME.....	4,714	5,143	6,530	5,571	21,958

1. This item differs from line 6 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL

(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	400	459	426	435	1,720
2. Income Taxes.....	331	390	382	392	1,495
3. Succession Duties.....	37	49	31	29	146
4. Miscellaneous.....	32	20	13	14	79
5. Personal Expenditure on Consumer Goods and Services:	4,234	4,652	4,552	5,259	18,697
6. Non-Durable Goods.....	2,099	2,277	2,317	2,859	9,552
7. Durable Goods.....	500	706	602	598	2,406
8. Services <sup>1</sup> .....	1,649	1,697	1,636	1,757	6,739
9. Adjusting Entry.....	-14	-28	-3	45	-
10. Personal Net Savings: .....	88	37	1,535	-119	1,541
11. Personal Saving Excluding Change in Farm Inventories.....	299	213	591	196	1,299
12. Value of Physical Change in Farm Inventories.....	-211	-176	944	-315	242
13. Adjusting Entry.....	-8	-5	17	-4	-
14. PERSONAL INCOME.....	4,714	5,143	6,530	5,571	21,958
15. (Personal Disposable Income) <sup>2</sup> .....	(4,314)	(4,684)	(6,104)	(5,136)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958of dollars)

1957				1958	
I	II	III	IV	Year	I
3,720	3,929	4,117	4,059	15,825	3,813 1.
-134	-132	-141	-140	-547	-141 2.
108	116	131	121	476	117 3.
8	91	821	54	974	- 4.
374	493	527	547	1,941	397 5.
543	609	589	617	2,358	578 6.
592	470	488	533	2,083	755 7.
7	9	9	7	32	6 8.
-1	-2	7	-4	-	- 9.
5,217	5,583	6,548	5,794	23,142	5,525 10.

INCOME, BY QUARTERS, 1956-1958of dollars)

1957				1958	
I	II	III	IV	Year	I
466	497	472	472	1,907	456 1.
394	444	424	428	1,690	381 2.
31	32	32	32	127	33 3.
41	21	16	12	90	42 4.
4,575	4,914	4,809	5,470	19,768	4,794 5.
2,237	2,413	2,431	2,940	10,021	2,350 6.
543	680	606	585	2,414	557 7.
1,815	1,844	1,775	1,899	7,333	1,907 8.
-20	-23	-3	46	-	-20 9.
178	175	1,255	-141	1,467	277 10.
424	293	671	231	1,619	550 11.
-246	-118	584	-372	-152	-273 12.
-2	-3	12	-7	-	-2 13.
5,217	5,583	6,548	5,794	23,142	5,525 14.
(4,751)	(5,086)	(6,076)	(5,322)	(21,235)	(5,069) 15.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income..	14,052	14,536	15,004	15,284	14,719
2. Military Pay and Allowances.....	372	424	452	448	424
3. Corporation Profits before Taxes <sup>1</sup> .....	2,780	2,824	2,748	2,856	2,802
4. Rent, Interest, and Miscellaneous Investment Income	1,952	1,944	1,972	1,988	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,416	1,460	1,432	1,564	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ..	1,904	1,908	1,996	1,940	1,937
7. Inventory Valuation Adjustment.....	-256	-344	-172	-268	-260
8. Adjusting Entry.....	-	-	-4	4	-
9. NET NATIONAL INCOME AT FACTOR COST.....	22,220	22,752	23,428	23,816	23,054
10. Indirect Taxes less Subsidies.....	3,480	3,628	3,604	3,692	3,601
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments.....	3,356	3,464	3,576	3,664	3,515
12. Residual Error of Estimate.....	-112	-36	36	160	12
13. Adjusting Entry.....	8	-	-	-8	-
14. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	28,952	29,808	30,644	31,324	30,182
15. Line 14 Less Line 5.....	27,536	28,348	29,212	29,760	28,714
16. Adjusting Entry.....	-	-	4	-4	-
17. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(27,536)	(28,348)	(29,216)	(29,756)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services	18,072	18,424	18,952	19,340	18,697
2. Government Expenditure on Goods and Services <sup>1</sup> ....	4,936	5,216	5,452	5,460	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,168	6,664	7,012	7,252	6,774
4. Adjusting Entry.....	-	-	-	-	-
5. New Residential Construction.....	1,572	1,576	1,512	1,444	1,526
6. New Non-Residential Construction.....	2,192	2,500	2,696	2,968	2,589
7. New Machinery and Equipment.....	2,404	2,588	2,804	2,840	2,659
8. Value of Physical Change in Inventories.....	932	680	640	1,008	815
9. Non-Farm Business Inventories.....	564	640	424	552	545
10. Farm Inventories and Grain in Commercial Channels.....	368	40	216	456	270
11. Exports of Goods and Services.....	6,124	6,484	6,348	6,400	6,339
12. Deduct: Imports of Goods and Services.....	-7,388	-7,692	-7,720	-7,988	-7,697
13. Residual Error of Estimate.....	112	36	-40	-156	-12
14. Adjusting Entry.....	-4	-4	-	8	-
15. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	28,952	29,808	30,644	31,324	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.



NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958	
I	II	III	IV	Year	I
15,544	15,764	16,076	15,916	15,825	15,932
456	456	512	480	476	496
2,712	2,608	2,432	2,268	2,505	2,256
2,156	2,128	2,196	2,236	2,179	2,220
1,020	1,024	940	888	968	1,080
1,908	1,936	1,948	1,972	1,941	2,016
-116	-120	-28	24	-60	-72
16	12	-12	-16	-	20
23,696	23,808	24,064	23,768	23,834	23,948
3,868	3,780	3,800	3,760	3,802	3,880
3,660	3,720	3,720	3,788	3,722	3,724
28	4	160	148	85	116
-	-	4	-4	-	8
31,252	31,312	31,748	31,460	31,443	31,676
30,232	30,288	30,808	30,572	30,475	30,596
-12	-12	8	16	-	-24
(30,220)	(30,276)	(30,816)	(30,588)	(30,475)	(30,572)

General Note: For an explanation of Adjusting Entries, see  
 Technical Note at end of text.

BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958	
I	II	III	IV	Year	I
19,604	19,584	19,896	19,988	19,768	20,432
5,416	5,688	5,736	5,608	5,612	5,736
7,420	7,420	7,420	7,296	7,389	7,096
-	-	-	-	-	-4
1,400	1,388	1,416	1,492	1,424	1,688
3,088	3,244	3,292	3,308	3,233	2,952
2,932	2,788	2,712	2,496	2,732	2,460
292	264	176	-164	142	-556
476	336	244	-84	243	-460
-184	-72	-68	-80	-101	-96
6,480	6,220	6,472	6,328	6,375	6,284
-7,932	-7,864	-7,792	-7,444	-7,758	-7,192
-28	-	-160	-152	-85	-116
-	-	-	-	-	-8
31,252	31,312	31,748	31,460	31,443	31,676

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income	14,052	14,536	15,004	15,284	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds	-480	-488	-504	-488	-490
3. Military Pay and Allowances.....	372	424	452	448	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,400	1,480	1,356	1,556	1,448
5. Net Income of Non-Farm Unincorporated Business...	1,904	1,908	1,996	1,940	1,937
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	2,072	2,084	2,140	2,204	2,125
Transfer Payments to Persons:					
7. From Government (Excluding Interest).....	1,772	1,752	1,768	1,768	1,765
8. Charitable Contributions by Corporations.....	24	32	32	32	30
9. Adjusting Entry.....	8	-	-8	-	-
10. PERSONAL INCOME.....	21,124	21,728	22,236	22,744	21,958

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,616	1,708	1,776	1,780	1,720
2. Income Taxes.....	1,392	1,432	1,564	1,592	1,495
3. Succession Duties.....	148	196	124	116	146
4. Miscellaneous.....	76	80	88	72	79
5. Personal Expenditure on Consumer Goods and Services: .....	18,072	18,424	18,952	19,340	18,697
6. Non-Durable Goods.....	9,264	9,332	9,692	9,920	9,552
7. Durable Goods.....	2,276	2,452	2,464	2,432	2,406
8. Services <sup>1</sup> .....	6,524	6,660	6,792	6,980	6,739
9. Adjusting Entry.....	8	-20	4	8	-
10. Personal Net Saving.....	1,432	1,608	1,500	1,624	1,541
11. Adjusting Entry.....	4	-12	8	-	-
12. PERSONAL INCOME.....	21,124	21,728	22,236	22,744	21,958
13. (Personal Disposable Income) <sup>2</sup> .....	(19,508)	(20,020)	(20,460)	(20,964)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958		
I	II	III	IV	Year	I	
15,544	15,764	16,076	15,916	15,825	15,932	1.
-532	-532	-560	-564	-547	-560	2.
456	456	512	480	476	496	3.
1,080	1,096	884	836	974	1,152	4.
1,908	1,936	1,948	1,972	1,941	2,016	5.
2,276	2,348	2,400	2,408	2,358	2,436	6.
1,892	1,940	2,124	2,376	2,083	2,428	7.
32	32	32	32	32	28	8.
28	20	-20	-28	-	40	9.
22,684	23,060	23,396	23,428	23,142	23,968	10.

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958		
I	II	III	IV	Year	I	
1,844	1,888	1,948	1,948	1,907	1,936	1.
1,624	1,676	1,712	1,748	1,690	1,704	2.
124	128	128	128	127	132	3.
96	84	108	72	90	100	4.
19,604	19,584	19,896	19,988	19,768	20,432	5.
9,908	9,952	10,080	10,144	10,021	10,372	6.
2,512	2,352	2,460	2,332	2,414	2,492	7.
7,192	7,276	7,356	7,508	7,333	7,564	8.
-8	4	-	4	-	4	9.
1,228	1,592	1,556	1,492	1,467	1,604	10.
8	-4	-4	-	-	-4	11.
22,684	23,060	23,396	23,428	23,142	23,968	12.
(20,840)	(21,172)	(21,448)	(21,480)	(21,235)	(22,032)	13.



TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services	3,536	3,892	3,767	4,321	15,516
2. Adjusting Entry.....	-11	-22	-4	37	-
3. Non-Durable Goods .....	1,904	2,055	2,064	2,521	8,544
4. Durable Goods.....	454	642	555	534	2,185
5. Services.....	1,189	1,217	1,152	1,229	4,787
6. Government Expenditure on Goods and Services.....	867	813	1,063	971	3,714
7. Business Gross Fixed Capital Formation.....	951	1,313	1,362	1,264	4,890
8. Adjusting Entry.....	-	-	-	-	-
9. New Residential Construction.....	214	302	311	284	1,111
10. New Non-Residential Construction.....	325	427	551	511	1,814
11. New Machinery and Equipment.....	412	584	500	469	1,965
12. Change in Inventories.....	-16	-108	1,167	-292	751
13. Non-Farm Business Inventories.....	281	132	-7	47	453
14. Farm Inventories and Grain in Commercial Channels.....	-297	-240	1,174	-339	298
15. Exports of Goods and Services.....	1,135	1,374	1,445	1,368	5,322
16. Deduct: Imports of Goods and Services.....	-1,443	-1,767	-1,657	-1,723	-6,590
17. Residual Error of Estimate.....	1	41	27	-78	-9
18. Adjusting Entry.....	-12	-2	17	-3	-
19. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS	5,019	5,556	7,191	5,828	23,594

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

DOLLARS, BY QUARTERS, 1956-1958  
FOR SEASONALITY 1, 2  
of dollars)

1957				1958	
I	II	III	IV	Year	I
3,677	3,940	3,825	4,372	15,814	3,764
-17	-20	-1	38	-	-15
1,961	2,109	2,104	2,551	8,725	2,021
469	588	534	518	2,109	480
1,264	1,263	1,188	1,265	4,980	1,278
880	851	1,082	953	3,766	890
1,111	1,383	1,389	1,241	5,124	1,048
-	1	-	-1	-	-
180	257	280	291	1,008	222
441	540	658	554	2,193	412
490	585	451	397	1,923	414
-42	-117	751	-499	93	-325
252	70	-26	-74	222	47
-294	-187	777	-425	-129	-372
1,171	1,302	1,473	1,398	5,344	1,163
-1,532	-1,767	-1,642	-1,578	-6,519	-1,355
-9	35	-	-90	-64	-7
-2	-1	5	-2	-	-2
5,254	5,626	6,883	5,795	23,558	5,176





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In this report, the quarterly data published in "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1957" have been mechanically linked for the years 1956 and 1957 to the new annual levels published recently in the reference document, "National Accounts, Income and Expenditure, 1926-1956" and Supplement. This linking process, which is carried out at the major group level, gives rise to small adjusting entries which are a reflection of slight weighting differences between the two sets of data. Revised quarterly data for the entire post-war period are at present in course of being re-worked in detail, and will be published later in the year.



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NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
SECOND QUARTER  
1958

*Published by Authority of*  
The Honourable Gordon Churchill, Minister of Trade and Commerce

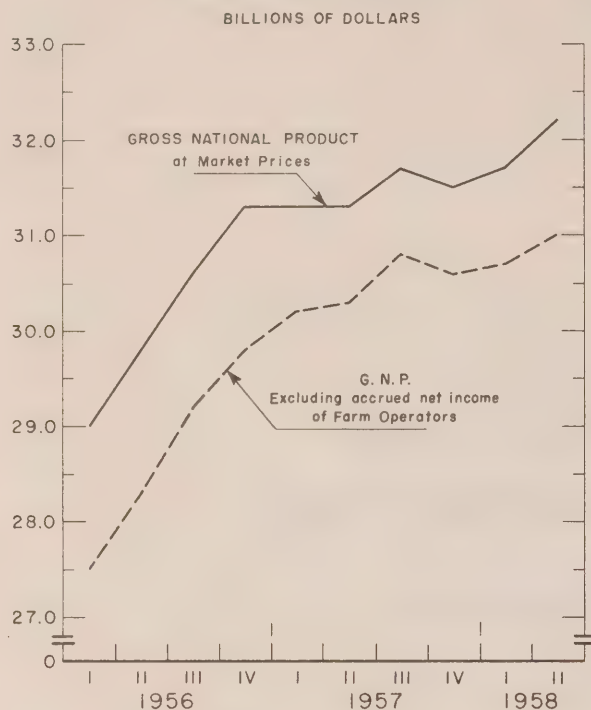
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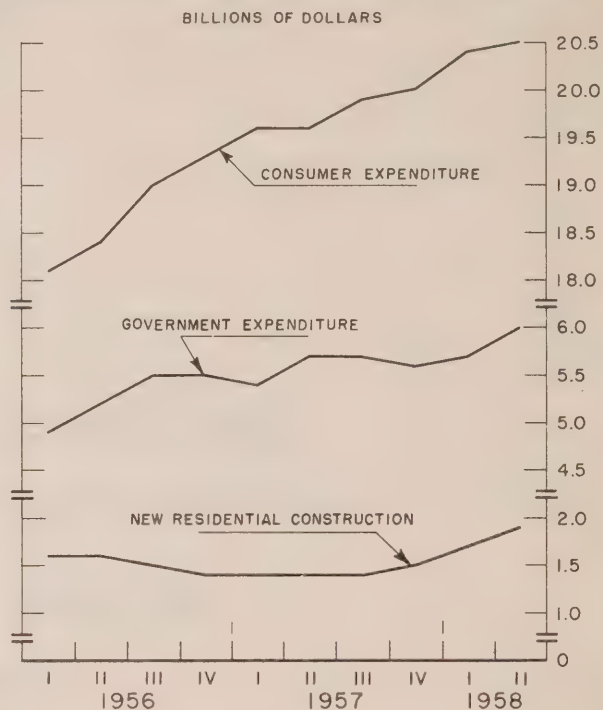
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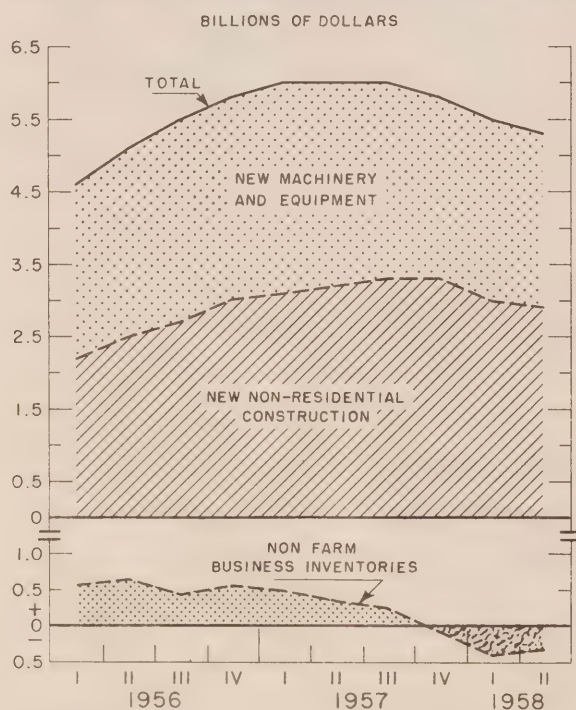
NON FARM PRODUCTION SHOWED GREATER STRENGTH IN THE SECOND QUARTER ADVANCING BY ABOUT 1 PER CENT



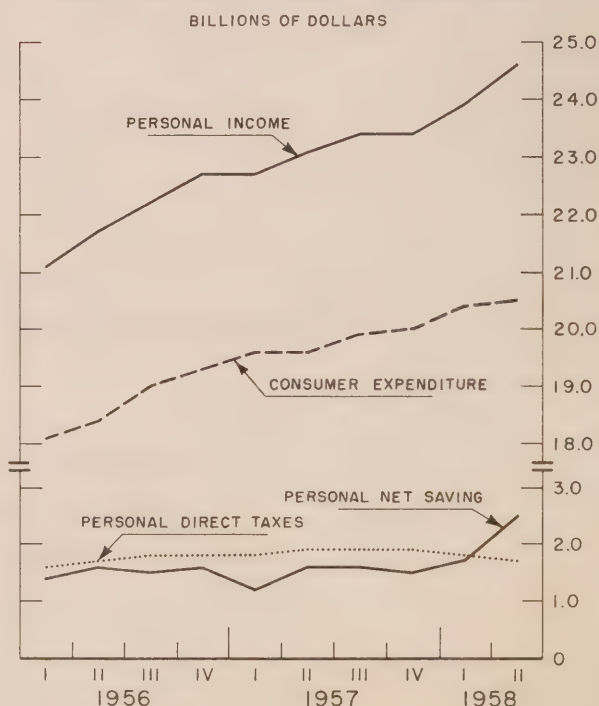
OUTLAYS FOR HOUSING AND GOVERNMENT EXPENDITURE CONTINUED TO ADVANCE BUT CONSUMER EXPENDITURE ON GOODS AND SERVICES SHOWED LITTLE CHANGE



INVENTORY LIQUIDATION CONTINUED IN THE SECOND QUARTER AND WAS ACCOMPANIED BY FURTHER DECLINES IN BUSINESS FIXED CAPITAL FORMATION



THE RATE OF PERSONAL SAVING ROSE VERY SHARPLY IN THE SECOND QUARTER REFLECTING GAINS IN INCOME ACCOMPANIED BY STABILITY IN CONSUMER EXPENDITURE AND A DECLINE IN DIRECT PERSONAL TAXES



(ALL DATA AT SEASONALLY ADJUSTED ANNUAL RATES)

## INTRODUCTORY REVIEW

The value of the Nation's total output of goods and services, after seasonal adjustment, showed a modest gain between the first and second quarters of 1958, following the weakness which had developed earlier. In value terms, production of goods and services in the non-farm sector rose by about 1 per cent. However, it is estimated that the greater part of this value increase reflects a further rise in final product prices, so that the volume of output showed little change.

As in the first quarter, major elements of strength in the second quarter of 1958 were rising outlays by governments for goods and services, and higher expenditures for new housing construction (both series seasonally adjusted). Personal expenditure on consumer goods and services, which was a strong supporting element in the first quarter, was virtually unchanged in the second quarter. However, exports of goods and services, which eased a little in the fourth quarter of 1957 and declined the first quarter of this year, advanced moderately, mainly reflecting higher sales of grain, uranium, and aircraft. The rate of business inventory liquidation moderated slightly in the second quarter, in contrast to the earlier declining trend, while imports of goods and services were further reduced.

The flow of income to the personal sector continued upward in the second quarter, after allowing for seasonal variation. Labour income showed a gain of 2 per cent, reflecting for the most part increases in average weekly earnings; this is the first significant advance in this component since the third quarter of 1957. At the same time, net income of farm operators was higher in the quarter, mainly reflecting higher production of livestock. Personal income also continued to reflect the rising trend of transfer payments from government (which were more than 30 per cent above a year ago in the first half of this year), and disposable income was further bolstered by a decline in direct personal tax collections. With disposable income continuing to move strongly upward, accompanied by little change in the level of personal expenditures, the rate of personal saving rose sharply, from \$1.7 billion in the first quarter to \$2.5 billion. Other elements on the income side were less buoyant in the second quarter, but corporation profits,<sup>1</sup> which had shown a declining trend since the end of 1956, held steady.

The following table provides some perspective on the income and expenditure components as they have contributed to changes in the value and volume of production compared with the first half of last year.

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1. Before deduction of dividends paid abroad.



Selected Components of Income and Expenditure

	6 Months <u>1957</u>	6 Months <u>1958</u>	% <u>Change</u> <sup>1</sup>
	(billions of dollars)		
<u>Income:</u>			
Wages and salaries.....	15.7	16.1	2.7
Corporation profits before taxes.....	2.7	2.3	-14.8
Rent, interest and miscellaneous investment income.....	2.1	2.2	4.1
Accrued net income of farm operators.....	1.0	1.1	8.8
Transfer payments.....	1.9	2.6	31.1
National income.....	23.8	24.2	1.9
Personal income.....	22.9	24.2	6.0
<u>Expenditure:</u>			
Personal expenditure.....	19.6	20.4	4.3
Government expenditure.....	5.6	5.8	5.2
Residential construction.....	1.4	1.8	28.8
Non-residential construction.....	3.2	3.0	-6.5
Machinery and equipment.....	2.9	2.5	-14.1
Non-farm business inventories.....	0.4	-0.4	N.A.
Exports.....	6.4	6.4	-
Imports.....	7.9	7.2	-9.1
<u>Gross National Product</u> - current dollars...	31.3	32.0	2.2
(Gross National Product - 1949 constant dollars).....			-0.1
(Implicit Price Deflator).....			1.8

1. Percentages based on unrounded data.

At \$32.0 billion, the annual rate of Gross National Product in the first half of 1958 has averaged about 2 per cent above the average for the first half of the year 1957. This comparison includes an estimate of the value of crop production in Canada for the year 1958, which is estimated to be approximately the same as that of a year ago. With final product prices also higher than last year, by about 2 per cent, the volume of total Canadian farm and non-farm production in the first half of this year has been little changed from the same period a year ago.

In the year-to-year comparisons shown in the above table, the main sources of strength on the demand side have been centered in personal expenditure on consumer goods and services, outlays for housing, and government expenditure for goods and services. Outlays for plant and equipment have shown substantial declines, and these have been accompanied by a shift in business inventories from accumulation a year ago to liquidation in the current year, the turn-around being the equivalent of about \$0.8 billion in terms of new production. However, imports of goods and services have borne a substantial part of the impact of easing demand, and were 9 per cent below 1957 levels in the first half of this year.



Although, as noted, personal expenditure on consumer goods and services has been an important sustaining force in the economy during the recent levelling off in economic activity, the over-the-year increase in this component has been considerably less than the increase in personal disposable income. The rate of personal saving has thus shown a very sharp advance over the course of the period under review. At the same time, the increases in national income and personal income have shown a marked divergence, reflecting the very striking rise in transfer payments from government flowing to the personal sector, as well as the fact that the national income has been adversely affected by a decline in corporation profits at a time when dividend payments to persons were being well maintained.

While the total volume of output has shown little change compared with the first half of last year, there have been some notable shifts in its composition by industry of origin. Production in manufacturing was running 5 per cent below a year ago in the first half of this year, though the trend for this group has been upward since April. Durable goods output was down by 8 per cent, with non-durable production off by 3 per cent; however, both of these components of the index of manufacturing production have been rising in recent months, on a seasonally adjusted basis. Production in the forestry industry is estimated to be down from last year by close to 20 per cent, while output in transportation, storage and communication was off by 4 per cent. On the other hand, construction and some of the services industries showed significant gains of 2 or 3 per cent over a year ago in the first half of 1958. Output of mining, quarrying and oil wells was also higher, but to a lesser extent.

Accompanying these developments on the production side, the total number of persons with jobs in the first half of 1958 has averaged slightly below the same period one year ago. Persons without jobs and seeking work were 8.0 per cent of the labour force, compared with 4.7 per cent in the same period last year.

#### COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Consumer Expenditure

Personal expenditure on consumer goods and services, seasonally adjusted, showed no significant increase in the second quarter, following the substantial gain in the first quarter. The seasonally adjusted estimate of \$20.5 billion was only fractionally higher than in the first quarter and fell short of the near 1 per cent increase in consumer prices. Thus, per capital consumption declined a little in real terms.

The easing trend of consumer expenditure is largely accounted for by significantly lower purchases of durables. Sales of non-durable goods were substantially unchanged from the first quarter while purchases of services showed the small quarter-to-quarter advance characteristic of this category.

A  $5\frac{1}{2}$  per cent drop in purchases of new and used automobiles was the most important element in the movement of durables. However, purchases of other categories of durables were slightly lower also, with the exception of radios and appliances. It may be noted that the balances outstanding on the books of instalment finance companies by the end of June had fallen a little below the level of a year earlier, reflecting less new financing in the second quarter and larger repayments. New financing in the second quarter was nearly 8 per cent lower this year than last and repayments nearly 5 per cent higher.



Among the non-durables, food, tobacco and alcoholic beverages were the only main categories to show an advance, but these gains were offset by declines elsewhere. Purchases of clothing were significantly lower following a distinct rise in the preceding quarter. Prices of non-durables continued to rise, food prices being responsible for virtually all the increase. In real terms, consumption of non-durables declined.

Consumer expenditure on services rose by about 1 per cent, with most of the increase attributable to the higher prices in this sector.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services in the second quarter of 1958 is estimated at \$5,964 million, about 4 per cent over the first quarter.

When the second quarter of this year is compared with the same quarter of last year, government expenditures in aggregate are seen to be about 5 per cent higher. A drop in defence expenditures offset to a large extent higher outlays for other purposes, leaving Federal expenditures only about 2 per cent higher. Both provincial and municipal expenditures increased by about 10 per cent. The rise in outlays is attributable to increased capital investment and higher wages and salaries.

#### Gross Domestic Investment (excluding change in inventories)

Business expenditures for plant and equipment in the second quarter were at a seasonally adjusted annual rate of \$5,340 million, 2.8 per cent lower than in the preceding quarter. This rate of investment is 11 per cent below the rate in the second quarter of 1957 when such expenditures reached their peak of \$6,032 million.

Estimated outlays for new non-residential construction were down only about 2 per cent in the second quarter, in contrast to a drop of about 10 per cent in the first quarter. Since the peak in the fourth quarter of 1957, non-residential construction outlays have declined by 11 1/2 per cent. A large volume of work continued to be put in place on such huge projects as the St. Lawrence Seaway and Power Development, and the Trans-Canada Pipeline. There was very little change in the price component of the non-residential construction estimates in the second quarter.

Expenditures for machinery and equipment have tended to fall more sharply than outlays on non-residential construction. Since the peak in the first quarter of 1957, the decline has amounted to 17 1/2 per cent. The drop in the second quarter was 3 1/2 per cent. Imports of machinery, which have borne a large part of the decline in purchases of machinery and equipment, declined nearly as sharply, just as they rose sharply during the period of rapidly rising investment in machinery and equipment in 1955 and 1956.

Residential construction continued to be an important area of strength in the economy. At a seasonally adjusted annual rate of \$1,872 million, in the second quarter, outlays for residential construction were at an all-time high and nearly 9 per cent above the level of the first quarter. Seasonally adjusted housing starts were 162,500 in the second quarter, compared with 175,600 in the first, but completions rose from 112,600 to 144,000 units. The second quarter increase in housing outlays is substantially lower than the 15 per cent increase

in the first quarter. The estimate for housing outlays embodies a small element of price increase, reflecting higher wages for construction labour.

The diverging trends in residential construction and in outlays for plant and equipment bring total gross fixed capital formation for the first half of this year about 2 1/2 per cent below the annual rate for 1957. The mid-year review of investment intentions indicated a decline of 4 per cent for the year as a whole from 1957, made up of an increase of 25 per cent in housing, and drops of 10 per cent and 12 per cent in non-residential construction and purchases of machinery and equipment. These expectations compare with estimates of a 26 per cent increase for housing in the first half year and of decreases of 8 and 10 per cent for the other two components.

### Investment in Inventories

The downward pressure exerted on the economy from the liquidation of business inventories moderated a little in the second quarter. Stocks were then being drawn down at a seasonally adjusted annual rate of \$320 million compared with \$396 million in the first quarter and \$84 million in the fourth quarter of 1957. The shift from accumulation of business inventories in the second quarter of 1957 to liquidation in the same period of this year amounted to more than \$650 million at annual rates.

As in the previous quarter, manufacturing industries accounted for most of the liquidation. In the iron and steel and transportation equipment industries, stocks continued to be drawn down but at a substantially lower rate than in the preceding quarter. Liquidation developed in the wood products, petroleum and coal, textiles, rubber and paper groups, while the tobacco industry continued to show some accumulation. The heavy liquidation in the food group, evident in the first quarter, appeared to have been checked in the second quarter. These changes account for the lower rate of liquidation in manufacturing as a whole.

Stocks in wholesale trade, which in the first quarter had risen more than seasonally, declined in the second quarter. The reductions were fairly general, though modest.

Retail trade shifted from moderate liquidation in the first quarter to moderate accumulation in the second, when seasonal factors are taken into account. Motor vehicle dealers continued to reduce stocks, but at a lower rate. Furniture and household appliances stores as well as food stores added to their inventories.

In manufacturing and in wholesale trade, stock sales ratios appeared to be somewhat lower than a year earlier and close to the average rates of the past five or six years. In retail trade the ratio of stock to sales was somewhat higher than in the same quarter of recent years..

### Exports of Goods and Services

Exports of goods and services at a rate of \$6,400 million in the second quarter, were a little higher than in the first, on a seasonally adjusted basis. Merchandise exports rose by 2 1/2 per cent but this gain was partly offset by a decline in receipts from services. As in recent previous quarters, the total of merchandise exports was the outcome of a variety of trends in opposite directions in many leading commodities.



In the first half-year comparison, commodity exports were higher by nearly 2 1/2 per cent, with all the gain occurring in the second quarter. Individual commodity detail is not available on a seasonally adjusted basis, but the commodity detail for the first half year indicates the nature of some of the recent shifts in the composition of exports. Among the commodities showing large gains are cattle, uranium, grain, aircraft and farm machinery. Among those showing large losses are metals and minerals like petroleum, aluminum and most other base metals, iron ore, asbestos and leading forest products like pulp and paper.

Imports of goods and services in the second quarter were at a seasonally adjusted annual rate of \$7,144 million, somewhat lower than in the first quarter. This is the sixth successive quarter to show a declining trend. Payments for services changed very little so that the decline is largely accounted for by a near 1 1/2 per cent reduction in commodity imports.

The falling off in commodity imports is related in large part to the lower level of investment in durable physical assets and the drawing down of inventories in Canada. Commodity detail is available for only the first five months of this year and a comparison with the same period of 1957 shows iron and its products lower by more than 20 per cent, (rolling mill products down 53 per cent, various types of machinery down 20 to 30 per cent, and pipes, tubes and fittings down 17 per cent), non-metallic minerals and products down 15 per cent, (chiefly petroleum), and non-ferrous metals and products down 12 per cent. These were the groups which were rising very rapidly during the period of mounting investment expenditures.

Changes in prices of exports of goods and services were mixed and offsetting. Import prices receded a little between the first and second quarters, a movement that appears to be related to the appreciation of the Canadian dollar.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Labour Income

Labour income resumed its upward course in the second quarter and at a seasonally adjusted annual rate of \$16,212 million was a little less than 2 per cent higher than in the first quarter. Advances were for the most part small and fairly well distributed over the main industrial groups. Mining, where employment receded slightly, is a notable exception in that labour income fell between the two quarters. For the most part, employment showed no more than the usual seasonal rise so that higher earnings account for most of the gain in labour income; in manufacturing, somewhat longer hours of work contributed to a small rise in labour income.

##### Investment Income

Investment income in the second quarter was at a seasonally adjusted annual rate of \$4.5 billion, about 1 per cent higher than in the previous quarter.

The recent decline in corporate profits, evident since early in 1957, appears to have been checked in the second quarter of 1958. The changes for individual industrial groups were fairly large but virtually offsetting. Mining, electrical apparatus and supplies, products of petroleum and coal, and retail trade all experienced substantially lower profits but foods and beverages, wood, paper and printing, and wholesale trade showed varying increases. Dividends paid

abroad again declined so that corporate profits retained in Canada, the appropriate figure for national income purposes, rose a little more than 2 per cent.

Government investment income likewise showed a small increase. Investment income paid out to persons was also somewhat higher, reflecting a further advance in interest and dividends and unchanged income from rents.

### Net Income of Unincorporated Business

The estimates of accrued net income of farm operators from farm production included in the first and second quarters provide for no change in the value of crop production between the years 1957 and 1958. The present estimates are based on acreage yields somewhat below the 10 year average yield which formed the basis of the estimate at the time of the first quarter report. Increases in this component of the National Accounts over the fourth quarter of 1957 and from the first quarter of 1958 are almost entirely attributable to a higher level of livestock production, notably cattle, calves and hogs. However, farm cash income from the sale of livestock in the second quarter of 1958 showed little change from the level of the first quarter.

Net income of non-farm unincorporated business was estimated at \$2,016 million in the second quarter (seasonally adjusted), unchanged from the level of the first quarter. The major changes by industry were in construction and retail trade, with an increase in the former group being substantially offset by a decline in the trade component.

### TECHNICAL NOTE

At the present time, the quarterly National Accounts data for the post-war period are in course of being revised to the new annual levels recently published in "National Accounts, Income and Expenditure, 1926-1956". In the current report, unrevised quarterly data for the year 1956 and 1957 (as published in "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1957") have been arithmetically converted to the new annual levels by linking at the published level of detail. The conversion process consisted of applying the ratio between the new and the old annual level for each of the years 1956 and 1957 to the unrevised quarterly data for each of these years. The quarter-to-quarter movement of the linked series is therefore identical with that of the old series both for the major components and for the main aggregate.

Major component shares of total Gross National Product differ slightly as between the old and the new sets of data. As a result of these weighting differences, small discrepancies occur between the sum of the components and the main aggregates. To enable the user to sum to a total, minor adjusting entries are therefore required, which are simply a reflection of the weighting differences noted above.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	3,360	3,617	3,841	3,901	14,719
2. Military Pay and Allowances.....	93	106	113	112	424
3. Corporation Profits before Taxes <sup>1</sup> .....	597	792	776	637	2,802
4. Rent, Interest, and Miscellaneous Investment Income.....	469	480	510	505	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-21	77	1,240	172	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	373	493	533	538	1,937
7. Inventory Valuation Adjustment <sup>4</sup> .....	-64	-86	-43	-67	-260
8. Adjusting Entry.....	-7	-3	16	-6	-
9. NET NATIONAL INCOME AT FACTOR COST.....	4,800	5,476	6,986	5,792	23,054
10. Indirect Taxes less Subsidies.....	855	909	912	925	3,601
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments.....	790	868	913	944	3,515
12. Residual Error of Estimate.....	-2	-52	-35	101	12
13. Adjusting Entry.....	4	-1	-2	-1	-
14. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	6,447	7,200	8,774	7,761	30,182
15. Line 14 less Line 5.....	6,468	7,123	7,534	7,589	28,714
16. Adjusting Entry.....	4	6	-14	4	-
17. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(6,472)	(7,129)	(7,520)	(7,593)	(28,714)

1. Excludes dividends paid to non-residents.
2. Includes change in farm inventories as shown in line 12, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
3. Includes net income of independent professional practitioners.
4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services....	4,234	4,652	4,552	5,259	18,697
2. Government Expenditure on Goods and Services <sup>1, 4</sup> .....	1,200	1,163	1,504	1,399	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,299	1,800	1,888	1,787	6,774
4. Adjusting Entry.....	-1	-1	1	1	-
5. New Residential Construction.....	291	413	428	394	1,526
6. New Non-Residential Construction.....	459	607	786	737	2,589
7. New Machinery and Equipment.....	550	781	673	655	2,659
8. Value of Physical Change in Inventories <sup>3</sup> .....	80	-28	977	-214	815
9. Non-Farm Business Inventories.....	328	157	6	54	545
10. Farm Inventories and Grain in Commercial Channels...	-248	-185	971	-268	270
11. Exports of Goods and Services.....	1,342	1,634	1,725	1,638	6,339
12. Deduct: Imports of Goods and Services.....	-1,697	-2,069	-1,926	-2,005	-7,697
13. Residual Error of Estimate.....	2	52	35	-101	-12
14. Adjusting Entry.....	-13	-4	19	-2	-
15. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	6,447	7,200	8,774	7,761	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).
4. Includes defence expenditures of:

1956					1957					1958	
I	II	III	IV	Year	I	II	III	IV	Year	I	II
490	394	448	468	1,800	509	386	442	431	1,768	472	377



GROSS NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
of dollars)

9.

1957				Year	1958		
I	II	III	IV		I	II	
3,720	3,929	4,117	4,059	15,825	3,812	4,049	1.
108	116	131	121	476	117	126	2.
566	731	699	509	2,505	451	636	3.
534	524	568	553	2,179	543	541	4.
-11	71	838	70	968	3	145	5.
374	493	527	547	1,941	397	513	6.
-29	-30	-7	6	-60	-15	2	7.
-3	-1	7	-3	-	-4	-1	8.
5,259	5,833	6,880	5,862	23,834	5,304	6,011	9.
955	949	964	934	3,802	938	957	10.
861	933	950	978	3,722	882	934	11.
12	-49	1	121	85	18	-35	12.
-	-	1	-1	-	-	-	13.
7,087	7,666	8,796	7,894	31,443	7,142	7,867	14.
7,098	7,595	7,958	7,824	30,475	7,139	7,722	15.
1	2	-6	3	-	-	2	16.
(7,099)	(7,597)	(7,952)	(7,827)	(30,475)	(7,139)	(7,724)	17.

General Note:

For an explanation of Adjusting Entries, see  
Technical Note at end of text.

EXPENDITURE, BY QUARTERS, 1956-1958  
of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
4,575	4,914	4,809	5,470	19,768	4,792	5,098	1.
1,296	1,278	1,600	1,438	5,612	1,351	1,359	2.
1,590	1,987	2,006	1,806	7,389	1,543	1,930	3.
-2	-	2	-	-	-1	-3	4.
252	363	396	413	1,424	318	486	5.
649	795	969	820	3,233	614	724	6.
691	829	639	573	2,732	612	723	7.
54	-23	558	-447	142	-238	-240	8.
306	81	-39	-105	243	68	-103	9.
-252	-104	597	-342	-101	-306	-137	10.
1,408	1,579	1,761	1,627	6,375	1,370	1,616	11.
-1,821	-2,115	-1,948	-1,874	-7,758	-1,652	-1,928	12.
-13	48	-	-120	-85	-19	34	13.
-2	-2	10	-6	-	-5	-2	14.
7,087	7,666	8,796	7,894	31,443	7,142	7,867	15.

Table 3. SOURCES OF PERSONAL

(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	3,360	3,617	3,841	3,901	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-117	-121	-126	-126	-490
3. Military Pay and Allowances.....	93	106	113	112	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-25	83	1,220	170	1,448
5. Net Income of Non-Farm Unincorporated Business.....	373	493	533	538	1,937
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	486	541	524	574	2,125
7. From Government (Excluding Interest).....	541	419	404	401	1,765
8. Charitable Contributions by Corporations.....	6	8	9	7	30
9. Adjusting Entry.....	-3	-3	12	-6	-
10. PERSONAL INCOME.....	4,714	5,143	6,530	5,571	21,958

1. This item differs from line 6 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL

(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	400	459	426	435	1,720
2. Income Taxes.....	331	390	382	392	1,495
3. Succession Duties.....	37	49	31	29	146
4. Miscellaneous.....	32	20	13	14	79
5. Personal Expenditure on Consumer Goods and Services:	4,234	4,652	4,552	5,259	18,697
6. Non-Durable Goods.....	2,099	2,277	2,317	2,859	9,552
7. Durable Goods.....	500	706	602	598	2,406
8. Services <sup>1</sup> .....	1,649	1,697	1,636	1,757	6,739
9. Adjusting Entry.....	-14	-28	-3	45	-
10. Personal Net Savings: .....	88	37	1,535	-119	1,541
11. Personal Saving Excluding Change in Farm Inventories.....	299	213	591	196	1,299
12. Value of Physical Change in Farm Inventories.....	-211	-176	944	-315	242
13. Adjusting Entry.....	-8	-5	17	-4	-
14. PERSONAL INCOME.....	4,714	5,143	6,530	5,571	21,958
15. (Personal Disposable Income) <sup>2</sup> .....	(4,314)	(4,684)	(6,104)	(5,136)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
3,720	3,929	4,117	4,059	15,825	3,812	4,049	1.
-134	-132	-141	-140	-547	-142	-136	2.
108	116	131	121	476	117	126	3.
8	91	821	54	974	23	152	4.
374	493	527	547	1,941	397	513	5.
543	609	589	617	2,358	578	644	6.
592	470	488	533	2,083	757	630	7.
7	9	9	7	32	6	8	8.
-1	-2	7	-4	-	-	-1	9.
5,217	5,583	6,548	5,794	23,142	5,548	5,985	10.

INCOME, BY QUARTERS, 1956-1958of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
466	497	472	472	1,907	456	430	1.
394	444	424	428	1,690	381	376	2.
31	32	32	32	127	33	32	3.
41	21	16	12	90	42	22	4.
4,575	4,914	4,809	5,470	19,768	4,792	5,098	5.
2,237	2,413	2,431	2,940	10,021	2,348	2,503	6.
543	680	606	585	2,414	557	679	7.
1,815	1,844	1,775	1,899	7,333	1,907	1,940	8.
-20	-23	-3	46	-	-20	-24	9.
178	175	1,255	-141	1,467	302	456	10.
424	293	671	231	1,619	538	571	11.
-246	-118	584	-372	-152	-236	-115	12.
-2	-3	12	-7	-	-2	1	13.
5,217	5,583	6,548	5,794	23,142	5,548	5,985	14.
(4,751)	(5,086)	(6,076)	(5,322)	(21,235)	(5,092)	(5,555)	15.



TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	14,052	14,536	15,004	15,284	14,719
2. Military Pay and Allowances.....	372	424	452	448	424
3. Corporation Profits before Taxes <sup>1</sup> .....	2,780	2,824	2,748	2,856	2,802
4. Rent, Interest, and Miscellaneous Investment Income....	1,952	1,944	1,972	1,988	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,416	1,460	1,432	1,564	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	1,904	1,908	1,996	1,940	1,937
7. Inventory Valuation Adjustment.....	-256	-344	-172	-268	-260
8. Adjusting Entry.....	-	-	-4	4	-
9. NET NATIONAL INCOME AT FACTOR COST.....	22,220	22,752	23,428	23,816	23,054
10. Indirect Taxes less Subsidies.....	3,480	3,628	3,604	3,692	3,601
11. Capital Consumption Allowances and Miscellaneous Valuation Adjustments.....	3,356	3,464	3,576	3,664	3,515
12. Residual Error of Estimate.....	-112	-36	36	160	12
13. Adjusting Entry.....	8	-	-	-8	-
14. GROSS NATIONAL PRODUCT AT MARKET PRICES.....	28,952	29,808	30,644	31,324	30,182
15. Line 14 less Line 5.....	27,536	28,348	29,212	29,760	28,714
16. Adjusting Entry.....	-	-	4	-4	-
17. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators).....	(27,536)	(28,348)	(29,216)	(29,756)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services....	18,072	18,424	18,952	19,340	18,697
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,936	5,216	5,452	5,460	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,168	6,664	7,012	7,252	6,774
4. Adjusting Entry.....	-	-	-	-	-
5. New Residential Construction.....	1,572	1,576	1,512	1,444	1,526
6. New Non-Residential Construction.....	2,192	2,500	2,696	2,968	2,589
7. New Machinery and Equipment.....	2,404	2,588	2,804	2,840	2,659
8. Value of Physical Change in Inventories.....	932	680	640	1,008	815
9. Non-Farm Business Inventories.....	564	640	424	552	545
10. Farm Inventories and Grain in Commercial Channels....	368	40	216	456	270
11. Exports of Goods and Services.....	6,124	6,484	6,348	6,400	6,339
12. Deduct: Imports of Goods and Services.....	-7,388	-7,692	-7,720	-7,988	-7,697
13. Residual Error of Estimate.....	112	36	-40	-156	-12
14. Adjusting Entry.....	-4	-4	-	8	-
15. GROSS NATIONAL EXPENDITURE AT MARKET PRICES.....	28,952	29,808	30,644	31,324	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and

NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
15,544	15,764	16,076	15,916	15,825	15,932	16,212	1.
456	456	512	480	476	496	508	2.
2,712	2,608	2,432	2,268	2,505	2,240	2,292	3.
2,156	2,128	2,196	2,236	2,179	2,240	2,220	4.
1,020	1,024	940	888	968	1,036	1,188	5.
1,908	1,936	1,948	1,972	1,941	2,016	2,016	6.
-116	-120	-28	24	-60	-60	8	7.
16	12	-12	-16	-	12	40	8.
23,696	23,808	24,064	23,768	23,834	23,912	24,484	9.
3,868	3,780	3,800	3,760	3,802	3,856	3,812	10.
3,660	3,720	3,720	3,788	3,722	3,740	3,720	11.
28	4	160	148	85	172	228	12.
-	-	4	-4	-	4	4	13.
31,252	31,312	31,748	31,460	31,443	31,684	32,248	14.
30,232	30,288	30,808	30,572	30,475	30,648	31,060	15.
-12	-12	8	16	-	-12	-44	16.
(30,220)	(30,276)	(30,816)	(30,588)	(30,475)	(30,636)	(31,016)	17.

General Note:

For an explanation of Adjusting Entries, see  
 Technical Note at end of text.

BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
19,604	19,584	19,896	19,988	19,768	20,408	20,464	1.
5,416	5,688	5,736	5,608	5,612	5,720	5,964	2.
7,420	7,420	7,420	7,296	7,389	7,212	7,204	3.
-	-	-	-	-	-4	-8	4.
1,400	1,388	1,416	1,492	1,424	1,720	1,872	5.
3,088	3,244	3,292	3,308	3,233	2,992	2,928	6.
2,932	2,788	2,712	2,496	2,732	2,504	2,412	7.
292	264	176	-164	142	-580	-408	8.
476	336	244	-84	243	-396	-320	9.
-184	-72	-68	-80	-101	-184	-88	10.
6,480	6,220	6,472	6,328	6,375	6,324	6,400	11.
-7,932	-7,864	-7,792	-7,444	-7,758	-7,220	-7,144	12.
-28	-	-160	-152	-85	-176	-228	13.
-	-	-	-	-	-4	-4	14.
31,252	31,312	31,748	31,460	31,443	31,684	32,248	15.



**TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)**

	1956				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income.....	14,052	14,536	15,004	15,284	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds.....	-480	-488	-504	-488	-490
3. Military Pay and Allowances.....	372	424	452	448	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,400	1,480	1,356	1,556	1,448
5. Net Income of Non-Farm Unincorporated Business.....	1,904	1,908	1,996	1,940	1,937
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	2,072	2,084	2,140	2,204	2,125
7. From Government (Excluding Interest).....	1,772	1,752	1,768	1,768	1,765
8. Charitable Contributions by Corporations.....	24	32	32	32	30
9. Adjusting Entry.....	8	-	-8	-	-
10. PERSONAL INCOME.....	21,124	21,728	22,236	22,744	21,958

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

**TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)**

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,616	1,708	1,776	1,780	1,720
2. Income Taxes.....	1,392	1,432	1,564	1,592	1,495
3. Succession Duties.....	148	196	124	116	146
4. Miscellaneous.....	76	80	88	72	79
5. Personal Expenditure on Consumer Goods and Services:	18,072	18,424	18,952	19,340	18,697
6. Non-Durable Goods.....	9,264	9,332	9,692	9,920	9,552
7. Durable Goods.....	2,276	2,452	2,464	2,432	2,406
8. Services <sup>1</sup> .....	6,524	6,660	6,792	6,980	6,739
9. Adjusting Entry.....	8	-20	4	8	-
10. Personal Net Saving.....	1,432	1,608	1,500	1,624	1,541
11. Adjusting Entry.....	4	-12	8	-	-
12. PERSONAL INCOME.....	21,124	21,728	22,236	22,744	21,958
13. (Personal Disposable Income) <sup>2</sup> .....	(19,508)	(20,020)	(20,460)	(20,964)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958		
I	II	III	IV	Year	I	II
15,544	15,764	16,076	15,916	15,825	15,932	16,212
-532	-532	-560	-564	-547	-560	-548
456	456	512	480	476	496	508
1,080	1,096	884	836	974	1,108	1,208
1,908	1,936	1,948	1,972	1,941	2,016	2,016
2,276	2,348	2,400	2,408	2,358	2,436	2,472
1,892	1,940	2,124	2,376	2,083	2,428	2,624
32	32	32	32	32	28	28
28	20	-20	-28	-	32	48
22,684	23,060	23,396	23,428	23,142	23,916	24,568

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				1958		
I	II	III	IV	Year	I	II
1,844	1,888	1,948	1,948	1,907	1,836	1,676
1,624	1,676	1,712	1,748	1,690	1,604	1,460
124	128	128	128	127	132	128
96	84	108	72	90	100	88
19,604	19,584	19,896	19,988	19,768	20,408	20,464
9,908	9,952	10,080	10,144	10,021	10,388	10,412
2,512	2,352	2,460	2,332	2,414	2,444	2,384
7,192	7,276	7,356	7,508	7,333	7,564	7,656
-8	4	-	4	-	12	12
1,228	1,592	1,556	1,492	1,467	1,676	2,468
8	-4	-4	-	-	-4	-40
22,684	23,060	23,396	23,428	23,142	23,916	24,568
(20,840)	(21,172)	(21,448)	(21,480)	(21,235)	(22,080)	(22,892)

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

		1956				Year
		I	II	III	IV	
1.	Personal Expenditure on Consumer Goods and Services..	3,536	3,892	3,767	4,321	15,516
2.	Adjusting Entry.....	-11	-22	-4	37	-
3.	Non-Durable Goods.....	1,904	2,055	2,064	2,521	8,544
4.	Durable Goods.....	454	642	555	534	2,185
5.	Services.....	1,189	1,217	1,152	1,229	4,787
6.	Government Expenditure on Goods and Services.....	867	813	1,063	971	3,714
7.	Business Gross Fixed Capital Formation.....	951	1,313	1,362	1,264	4,890
8.	Adjusting Entry.....	-	-	-	-	-
9.	New Residential Construction.....	214	302	311	284	1,111
10.	New Non-Residential Construction.....	325	427	551	511	1,814
11.	New Machinery and Equipment.....	412	584	500	469	1,965
12.	Change in Inventories.....	-16	-108	1,167	-292	751
13.	Non-Farm Business Inventories.....	281	132	-7	47	453
14.	Farm Inventories and Grain in Commercial Channels.	-297	-240	1,174	-339	298
15.	Exports of Goods and Services.....	1,135	1,374	1,445	1,368	5,322
16.	Deduct: Imports of Goods and Services.....	-1,443	-1,767	-1,657	-1,723	-6,590
17.	Residual Error of Estimate.....	1	41	27	-78	-9
18.	Adjusting Entry.....	-12	-2	17	-3	-
19.	GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS	5,019	5,556	7,191	5,828	23,594

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

DOLLARS, BY QUARTERS, 1956-1958  
FOR SEASONALITY 1, 2  
of dollars)

1957				Year	1958		
I	II	III	IV		I	II	
3,677	3,940	3,825	4,372	15,814	3,762	3,978	1.
-17	-20	-1	38	-	-15	-19	2.
1,961	2,109	2,104	2,551	8,725	2,020	2,127	3.
469	588	534	518	2,109	480	584	4.
1,264	1,263	1,188	1,265	4,980	1,277	1,286	5.
880	851	1,082	953	3,766	881	875	6.
1,111	1,383	1,389	1,241	5,124	1,056	1,322	7.
-	1	-	-1	-	-	-1	8.
180	257	280	291	1,008	223	337	9.
441	540	658	554	2,193	412	487	10.
490	585	451	397	1,923	421	499	11.
-42	-117	751	-499	93	-287	-310	12.
252	70	-26	-74	222	72	-70	13.
-294	-187	777	-425	-129	-359	-240	14.
1,171	1,302	1,473	1,398	5,344	1,167	1,382	15.
-1,532	-1,767	-1,642	-1,578	-6,519	-1,358	-1,610	16.
-9	35	-	-90	-64	-15	25	17.
-2	-1	5	-2	-	-2	-	18.
5,254	5,626	6,883	5,795	23,558	5,204	5,662	19.











In this report, the quarterly data published in "National Accounts, Income and Expenditure, Fourth Quarter and Preliminary Annual 1957" have been mechanically linked for the years 1956 and 1957 to the new annual levels published recently in the reference document, "National Accounts, Income and Expenditure, 1926-1956" and Supplement. This linking process, which is carried out at the major group level, gives rise to small adjusting entries which are a reflection of slight weighting differences between the two sets of data. Revised quarterly data for the entire post-war period are at present in course of being re-worked in detail, and will be published later in the year.



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NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
THIRD QUARTER  
1958

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The Honourable Gordon Churchill, Minister of Trade and Commerce

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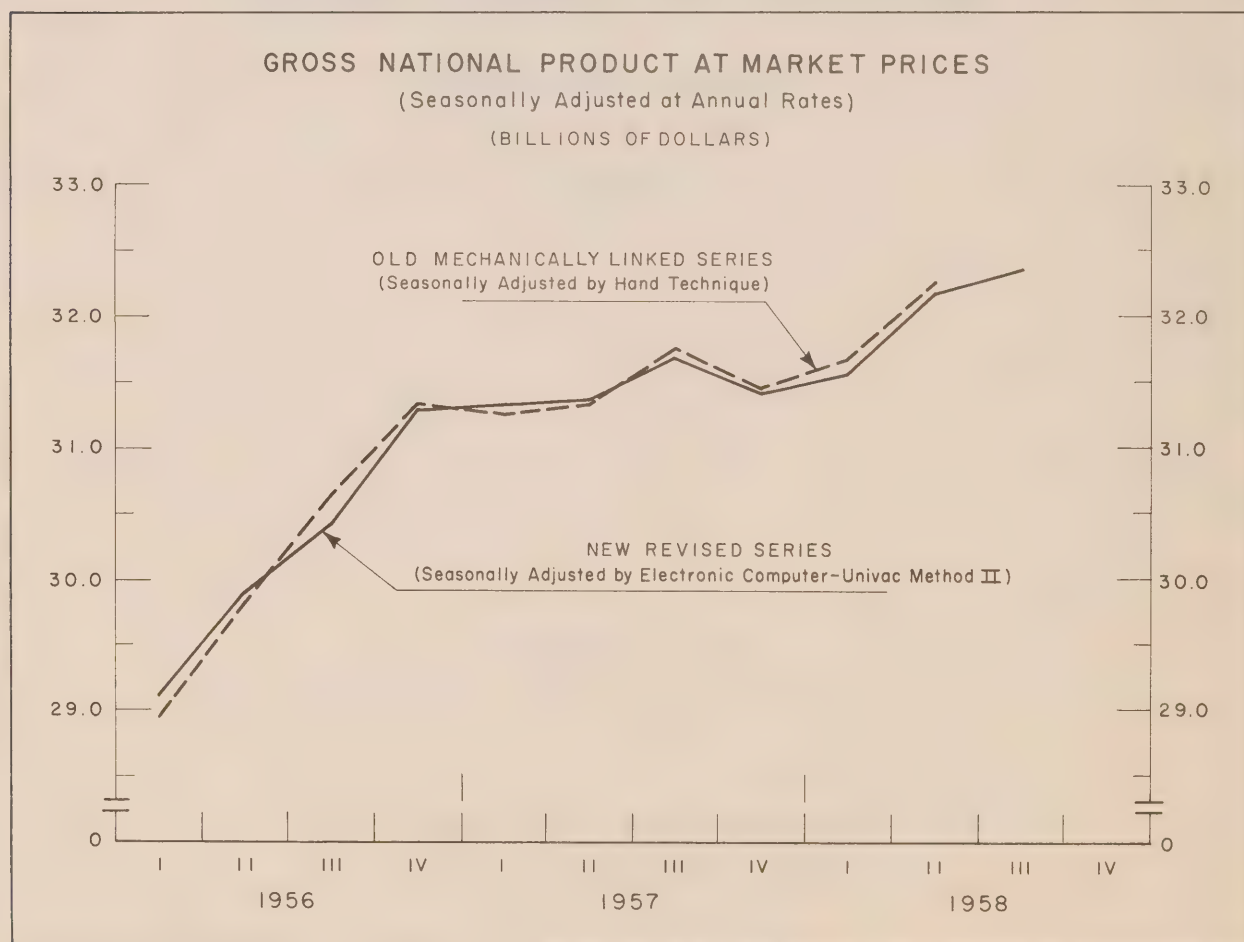
EDMOND CLOUTIER, C.M.G., O.A., D.S.P., Queen's Printer and Controller of Stationery, Ottawa, 1958



### TECHNICAL NOTE

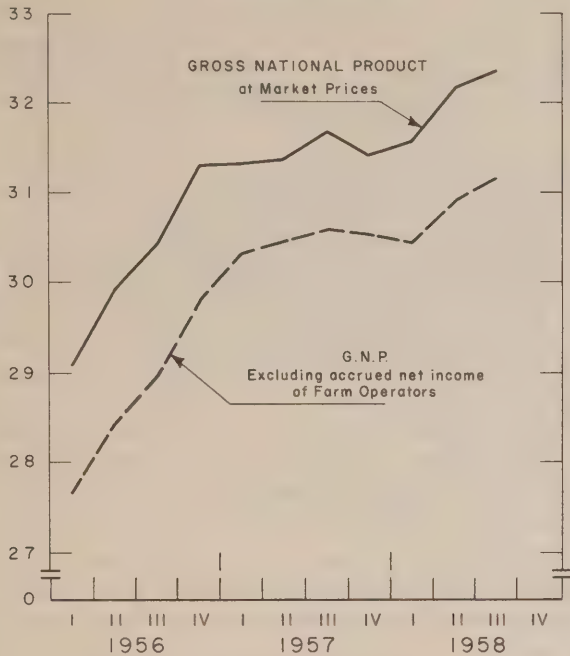
With this report, the quarterly data for the years 1956, 1957 and 1958 become operative on the new revised basis described in the main reference document, "National Accounts, Income and Expenditure, 1926-1956", issued earlier this year. The method of mechanically linking the old quarterly series to the new annual levels which was used in the first and second quarter reports for 1958 is discontinued. No changes have been made to annual totals previously published. As will be seen from the accompanying chart, the revised quarterly series differs only slightly from the mechanically linked series published in the first and second quarter reports.

Revised quarterly data for the historical period 1947-1955 are still in course of being re-worked. This material will be released as soon as possible.



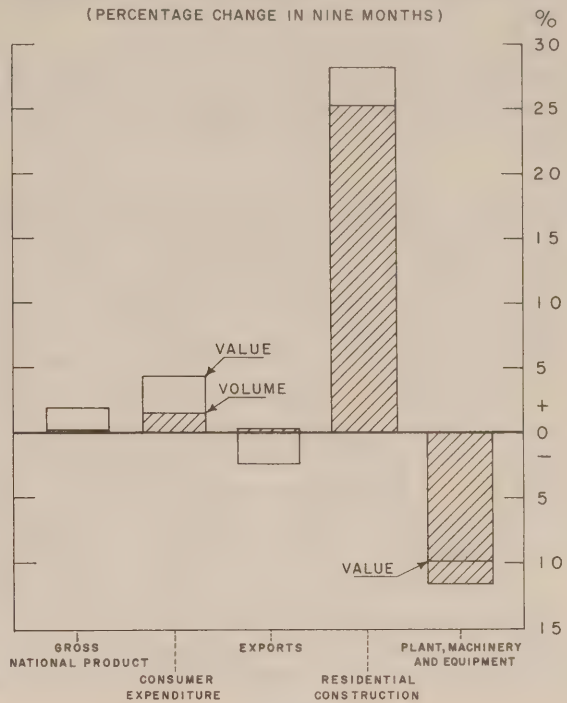
GROSS NATIONAL PRODUCT IN THE FIRST NINE MONTHS OF 1958 AVERAGED 2 PER CENT ABOVE LAST YEAR'S ANNUAL AVERAGE

BILLIONS OF DOLLARS



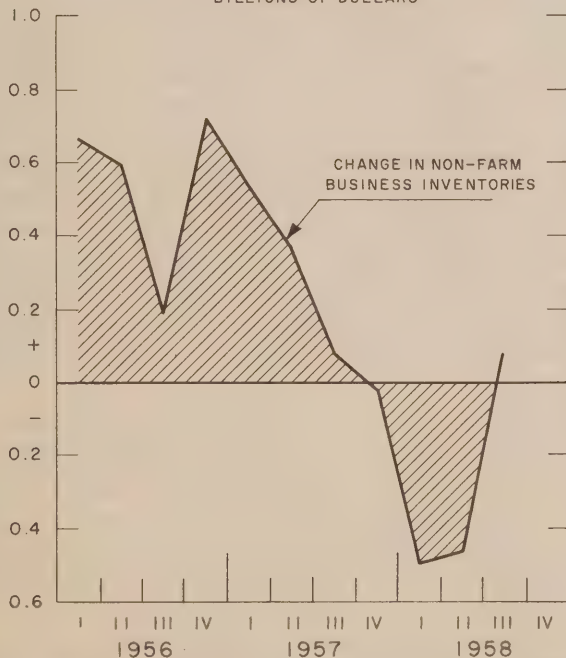
PRICE FACTORS ACCOUNTED FOR THE WHOLE OF THE VALUE INCREASE. IN VOLUME TERMS, GROSS NATIONAL PRODUCT WAS UNCHANGED

(PERCENTAGE CHANGE IN NINE MONTHS)



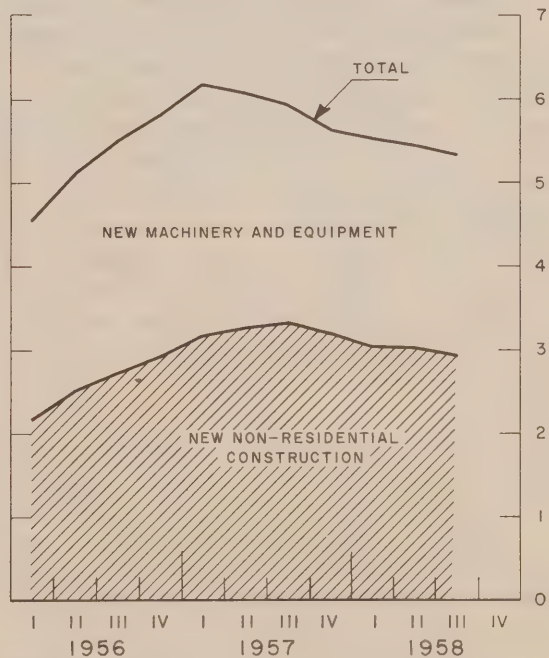
A MAJOR DOWNWARD PRESSURE ON THE DEMAND SIDE IN 1958 CAME FROM BUSINESS INVENTORIES, WHERE HEAVY WITHDRAWALS FROM STOCKS BROUGHT ABOUT A CUT-BACK IN PRODUCTION SCHEDULES

BILLIONS OF DOLLARS



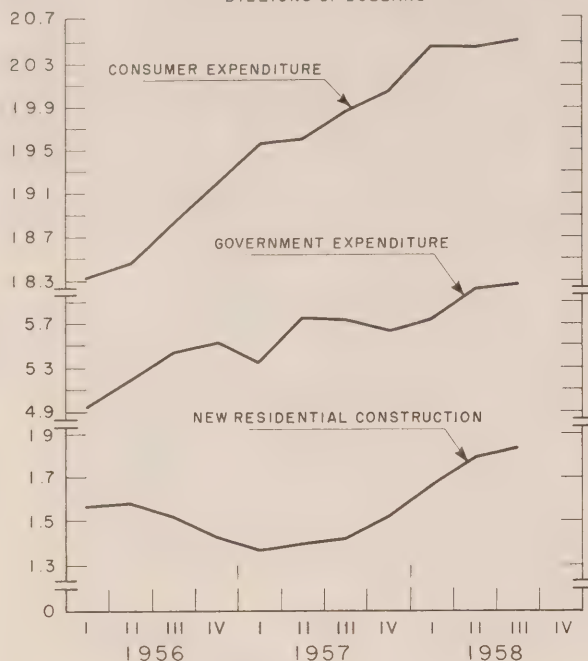
THE TREND OF BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT WAS ALSO DOWNWARD IN THE FIRST NINE MONTHS OF THE YEAR

BILLIONS OF DOLLARS

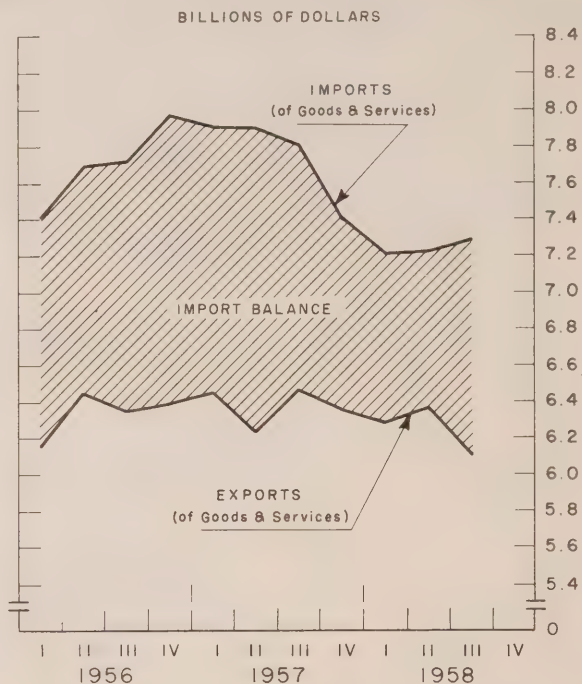


(DATA IN CHARTS 1, 3 AND 4 AT SEASONALLY ADJUSTED ANNUAL RATES)

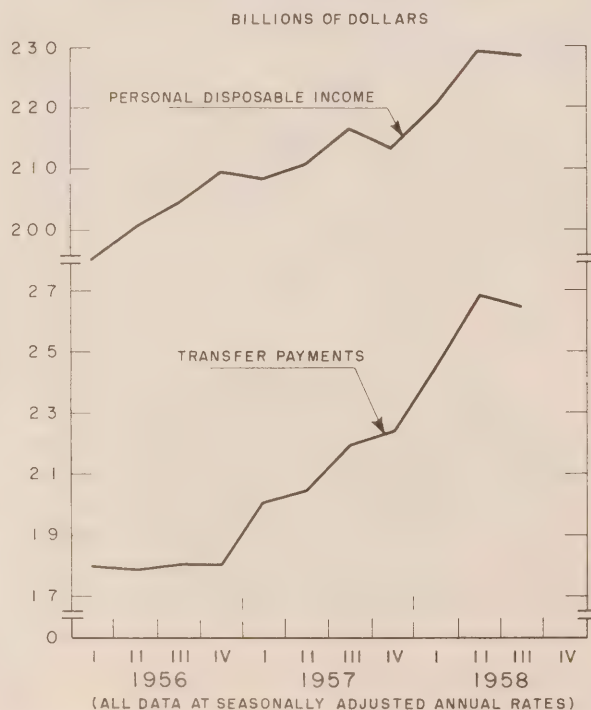
WEAKNESS IN THESE AREAS WAS  
SUBSTANTIALLY OFFSET BY THE GROWTH IN  
CONSUMER AND GOVERNMENT EXPENDITURES,  
AND BY A SHARP RISE IN OUTLAYS FOR NEW HOUSING



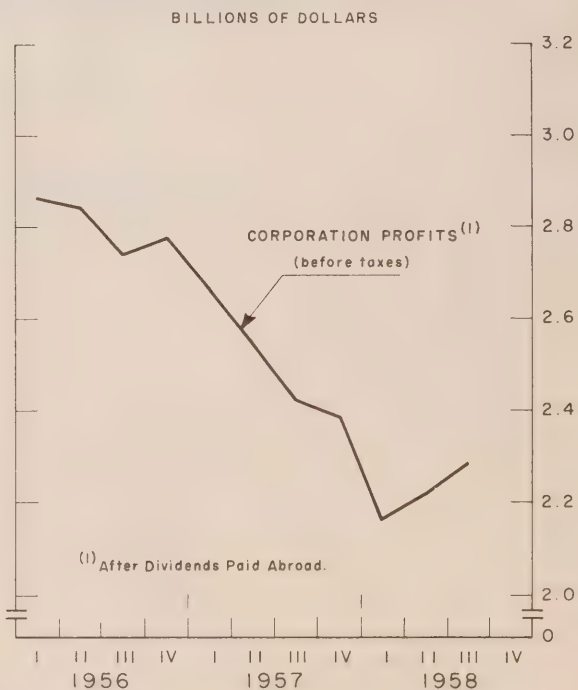
IMPORTS OF GOODS AND SERVICES  
ABSORBED A CONSIDERABLE PART  
OF THE DECLINE IN DOMESTIC DEMAND  
WHILE EXPORTS SHOWED LITTLE CHANGE



TRANSFER PAYMENTS FROM GOVERNMENT WERE  
A MAJOR FACTOR IN THE YEAR-TO-YEAR  
INCREASE IN DISPOSABLE INCOME



THE DOWN-TREND IN CORPORATION  
PROFITS WAS REVERSED DURING  
THE COURSE OF THE YEAR





## INTRODUCTORY ANALYSIS

Gross National Product, seasonally adjusted, showed a further small advance in the third quarter of 1958, following the somewhat larger gain which occurred in the second quarter. The value of the nation's total output rose by a little more than one-half of 1 per cent, and the value of output in the non-farm sector close to 1 per cent. It is estimated that the price component of the Gross National Product showed very little change during the quarter, so that the latest increase reflects a small advance in the volume of total output.

The major contributing factor to the third quarter gain in output was the shift in non-farm business inventories from a position of heavy liquidation in the second quarter to one of modest accumulation in the third quarter. The swing in this component of the Gross National Expenditure amounted to approximately \$0.5 billion, at annual rates. Other elements on the expenditure side made very little positive contribution to the over-all level of demand. In fact, final domestic demand made only a small advance compared with those recorded in the four preceding quarters. Personal expenditure on consumer goods and services and government outlays for goods and services showed only a minor advance. It may be noted that this is the second successive quarter in which consumer expenditures have shown little change. The up-trend in outlays for new housing continued into the third quarter, with an advance of about 3 per cent, seasonally adjusted. However, the total increase in all three of the above components was insufficient to offset the declines which occurred in business outlays for non-residential construction, machinery and equipment, and in exports of goods and services. The latter component declined by 4 per cent.

On the income side, the pattern of change in the third quarter was rather mixed, with labour income holding relatively stable, and corporation profits before taxes showing an advance of 3 per cent (all data seasonally adjusted). Rents, interest, and miscellaneous investment income advanced strongly in the third quarter, but net income of farm operators declined. While the national income advanced a full 1 per cent in the third quarter, personal income showed virtually no change, in contrast to preceding quarters in which personal income has tended to move ahead of national income. The reasons for this are to be found mainly in the resumption of the upward movement of corporation profits and in the fact that the large quarter-to-quarter gains in transfer payments from government over the past year ceased in the third quarter. With personal and disposable income holding relatively level, and little change in personal expenditure on consumer goods and services, the rate of personal saving in the third quarter was at virtually the same level as in the second quarter of 1958, or approximately \$2.3 billion.

With the value of this year's crop production now known, and data covering three-quarters of the year's activity in the non-farm sector available, it is possible to suggest an order of magnitude for the year 1958 as a whole. On the basis of present evidence, it seems likely that the Gross National Product in 1958 will be about 2 per cent above last year's figure of \$31.4 billion. With final product prices also higher by about 2 per cent in the first nine months of this year compared with a year ago, the physical volume of output in 1958 will likely show little change from that of the year 1957. This would represent the second year in succession in which the Canadian

economy has shown no change in the physical volume of production. This would compare with a gain in the physical volume of output of 7 per cent between 1955 and 1956, 9 per cent between 1954 and 1955, and a post-war average for the years 1947 to 1957 of 4 per cent per year.

It may be noted in this connection that the stability in the total volume of output in 1958 reflects a slight decline in the level of production in the non-farm sector of the economy, and a modest increase in the farm sector. It is estimated that in the first nine months of 1958, the volume of non-farm production was about 1 per cent below the same period a year ago. In the farm sector, while crop production was relatively unchanged in 1958, a sharp rise occurred in output and sales of livestock, associated with a rise in export shipments to the United States and higher domestic prices. The livestock item represents the primary factor in the increase in output of the farm economy during 1958.

Changes in Components of Gross National Expenditure<sup>1</sup>  
1957 to 1958

	\$ billion			
	Annual Rate for		Change	Change <sup>2</sup>
	Year	Three Quarters of		
	1957	1958		%
<u>Business Investment</u>				
Non-Residential Construction.....	3.2	3.0	-0.3	-7.8
Machinery and Equipment.....	2.7	2.5	-0.2	-10.0
Inventories.....	0.1	-0.4	-0.5	n.a.
(Non-Farm Business Inventories)..<	(0.2)	(-0.3)	(-0.5)	n.a.
Sub-Total...	6.1	5.0	-1.1	-17.4
<u>Other Purchases</u>				
Consumer Expenditures.....	19.8	20.5	+0.7	+3.6
Government Expenditures.....	5.6	6.0	+0.3	+6.0
Residential Construction.....	1.4	1.8	+0.3	+23.7
Exports.....	6.4	6.3	-0.1	-1.9
Sub-Total...	33.2	34.5	+1.3	+3.8
<u>Total Final Purchases plus</u>				
<u>Inventory Investment</u>				
(Total Available Supply)	39.3	39.5	+0.2	+0.5
<u>Less: Imports</u> .....	-7.8	-7.2	-(-0.5)	-6.6
<u>Gross National Expenditure</u>				
(Canadian Production).....	31.4	32.0	+0.6	+1.9

1. Three quarters seasonally adjusted at annual rates.

2. Per cent changes based on unrounded data.

The significant changes which have occurred on the expenditure side during the present year are shown in the above table. It is apparent that the major downward pressures during 1958 were coming from the business investment sector, with inventory liquidation assuming a major role, and declines in business outlays for non-residential construction and machinery and equipment acting to reinforce the curtailment in inventory demand. Altogether, these three components of the expenditure side have accounted



for a cut-back in the flow of expenditures equivalent to more than \$1 billion in terms of new production. As will be noted, however, these downward tendencies in the economy were more than offset by the continued growth in consumer and government expenditures for goods and services, and the upswing in residential construction. These three elements on the demand side have strongly counterbalanced the declining tendencies noted in the investment sector. At the same time, a good deal of the effect of the downward shift in domestic demand has been transferred on to foreign sources of supply through the mechanism of declining imports of goods and services. The fall-off here in the first nine months of 1958 compared with last year's annual average has amounted to \$0.5 billion, or about half of the net reduction in demand attributable to the business investment sector. The overall effect of these developments has been to bring about a change in the value of Canadian production of about \$0.6 billion, or 2 per cent over the level of 1957.

Analysis of Changes in Major Income Components  
1957 to 1958

	\$ billion			Change <sup>2</sup> %
	Year 1957	Three Quarters of 1958 <sup>1</sup>	Change	
<u>National Income</u> .....	23.8	24.3	+0.5	+2.0
Deduct: Corporation Profits.....	-2.5	-2.2	-(-0.3)	-11.4
Add: Dividends to Persons.....	0.4	0.4	-	-
Add: Transfer payments from Government.....	2.1	2.6	+0.5	+23.3
Other.....	-0.7	-0.8	-(+0.1)	+0.8
Equals: <u>Personal Income</u> ....	23.1	24.3	+1.2	+5.1
Deduct: Personal Direct Taxes...	-1.9	-1.8	-(-0.1)	-7.8
Equals: <u>Disposable Income</u> .....	21.2	22.6	+1.3	+6.3

1. Average of three quarters seasonally adjusted at annual rates.
2. Per cent changes based on unrounded data.

The preceding table outlines some of the changes which have occurred in the major income aggregates between 1957 and 1958. While national income has risen by about 2 per cent over the year, personal income has increased by 5 per cent, and disposable income by more than 6 per cent. The major factors in the reconciliation of these differences are indicated in the table. Transfer payments from government have provided the most important single element of the difference between national and personal income, and the rise here has been very sharp, amounting to about 23 per cent. In addition, disposable income has been further bolstered by a decline in direct personal tax collections. It is of interest to note that about one-half of the over-the-year increase of \$1.3 billion in disposable income can be attributed to changes which have occurred in the flow of transfer payments from the government to the personal sector, and in the reverse flow of tax collections from the personal sector to the government sector. National income, which does not reflect changes in these transfer-type transactions, was adversely affected in 1958 by a significant decline in the level of corporation profits, amounting to about 11 per cent.



A summary and consolidation of the series which have accounted for the changes in total disposable income between 1957 and 1958, is given in the following table.

Changes in Disposable Income  
1957 to 1958

	\$ billion			Change <sup>2</sup> %
	Year 1957	Three Quarters of 1958 <sup>1</sup>	Change	
Transfer Payments from Government.....	2.1	2.6	+0.5	23.3
Personal Direct Taxes (signs reversed)	-1.9	-1.8	+0.1	-7.8
Wages and Salaries.....	15.8	16.1	+0.3	1.6
Net Income of Farm Operators.....	1.0	1.2	+0.2	22.4
Interest, Dividends and Net Rental Income.....	2.4	2.5	+0.2	6.5
Other Disposable Income.....	1.8	2.0	+0.1	4.5
Total Disposable Income.....	21.2	22.6	+1.3	6.3

1. Average of three quarters seasonally adjusted at annual rates.

2. Per cent changes based on unrounded data.

Production and Employment in 1958

The over-all stability in the volume of total output in 1958 conceals mixed and offsetting tendencies in the main industrial groups. While the bulk of the service industries continued to show significant year-to-year increases when the first nine months of 1958 are compared with the same period 1957, output in the goods-producing industries declined. Within services, increases occurred in trade, finance, insurance and real estate, and government and other services, ranging from one to four per cent; however, a decline was recorded in the transportation industry, reflecting a decreased volume of service in railways, shipping, oil pipelines, and local transit systems. The increase in the services group as a whole is estimated to be about one-half of one per cent.

In the primary goods-producing industries, agricultural production in the nine months comparison showed a modest rise over 1957, reflecting mainly higher production of livestock. Output in the mining industry advanced slightly, with higher production of uranium, gold, copper, zinc, and silver to a large extent offset by sizable declines in the production of iron ore, nickel, coal and petroleum. Production in the forestry industry was down sharply in 1958, reflecting a major cut-back in the production of pulpwood.

In the first nine months of the year, compared with the same period of 1957, manufacturing production registered a decline of about 4 per cent. While the index of manufacturing production has moved erratically upward since the beginning of 1958, it was still 7 per cent below the 1957 peak at the end of the third quarter. Durable manufacturing production was off by about 7 per cent in the nine months comparison, with the major decreases in the iron and steel group ( -16 per cent), transportation equipment ( -13 per cent), and electrical apparatus and supplies ( -10 per cent). Production in the non-durable goods group showed a drop of 3 per cent,

with decreases occurring in all but the food, tobacco, and chemical groups. However, the trend of non-durable goods manufacturing production has been upward throughout the first nine months of 1958, and was only about 2 per cent below the 1957 peak by the end of the third quarter. The movements in durable goods manufacturing production were more erratic throughout the year, and this has influenced the movement of the total index.

The number of persons with jobs in the first nine months of 1958 averaged 0.6 per cent below the same period one year ago. At the same time, the labour force increased by about 2.4 per cent. Thus, the percentage of persons without jobs and seeking work were higher in 1958, amounting to 6.8 per cent of the total labour force in the first nine months of the year, compared with 4.1 per cent in the first three quarters of 1957.

#### Value-Volume-Price Comparisons

Taking the change in the price of all components together, it is estimated that the implicit price deflator of total Gross National Expenditure was higher by about 2 per cent in the first nine months of 1958. As has been noted, this price advance accounted for virtually all of the increase in the value of production from one year ago, so that in volume terms the Gross National Product remained substantially unchanged. The value, volume and price components of each of the main expenditure categories are shown in the accompanying table.

It will be apparent that price factors were less conspicuous as an element of the value change in Gross National Product between 1958 and 1957, than in the preceding year. All components of the Gross National Product registered smaller year-to-year advances in 1958 than in 1957. The price of consumer goods and services showed a further rise of close to 3 per cent, a more moderate advance than in 1957. Almost all the increase was in the area of services and non-durable goods; the price of durable goods in 1958 showed only a slight advance over the year 1957.

The capital goods sector in particular was less strongly influenced by advancing prices in 1958 than in the preceding year; the price factor of this component of the National Accounts advanced by less than half as much as in 1957. The influence of moderating prices in this sector was reflected mainly in the machinery and equipment component and in the non-residential construction item; the price factor in residential construction advanced only a little less than in the previous year.



Percentage Change -- Value, Volume and Price

	<u>Nine Months, 1958</u> <u>Nine Months, 1957</u>			<u>Price Change</u> <u>Year 1957</u> <u>Year 1956</u>
	<u>Value</u>	<u>Volume</u>	<u>Price</u>	
Personal Expenditure.....	4.3 %	1.5 %	2.8 %	(3.7) %
Goods.....	3.8	1.8	1.9	(3.0)
Non-Durable.....	4.5	2.1	2.3	(2.8)
Durable.....	0.9	0.4	0.4	(4.0)
Services.....	5.1	0.8	4.2	(4.5)
Government Expenditure.....	5.7	2.2	3.4	(5.1)
Gross Fixed Capital Formation.....	-3.1	-4.8	1.8	(4.1)
New Residential Construction.....	28.2	25.3	2.3	(2.8)
New Non-Residential Construction....	-8.3	-9.3	1.2	(3.3)
New Machinery and Equipment.....	-11.8	-14.1	2.6	(5.0)
Exports of Goods and Services <sup>1</sup> .....	-2.2	0.3	-2.6	(0.2)
Imports of Goods and Services.....	-8.0	-8.6	0.8	(1.9)
Gross National Expenditure.....	2.0	0.1	1.9	(4.4)

1. Shifts in the relative importance of certain goods and services in 1958, as compared with 1957, are reflected in the currently weighted price indexes. These weight shifts account for most of the price decline of 2.6 per cent in exports.

COMPONENTS OF GROSS NATIONAL EXPENDITURE

Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services, seasonally adjusted, remained level between the second and third quarters of 1958, at a rate of \$20.5 billion. Outlays for both durable and non-durable goods declined fractionally, but these losses were offset by an advance in personal expenditure on services of about 1 per cent.

In the non-durable goods group, declines occurred in food (1 per cent), tobacco (2 per cent), and alcoholic beverages (6 per cent). These declines were partly offset by a substantial increase in expenditure on clothing which had shown a decrease in the second quarter.

All major categories of durable goods showed moderate declines in the third quarter, with the exception of home furnishings, which increased by about 3 per cent. It should be noted that the third quarter figures do not reflect sales of new model automobiles which became available later in the year.

Consumer expenditure on services, seasonally adjusted, increased by 1 per cent in the third quarter. Most categories of services showed some gains.



In the first nine months of 1958, total consumer expenditure on goods and services was higher than the same period of 1957 by nearly 4 per cent. About two-thirds of this increase represents higher prices prevailing in the consumer sector. Expenditures on non-durable goods were up 4 per cent in value terms, but only 2 per cent by volume. Expenditures on durable goods increased by 1 per cent, but showed little change in volume terms. The gain of 5 per cent in outlays for services was largely offset by price increases, so that the increase in volume terms in this component amounted to only 1 per cent. It may be noted that on a per capita basis, consumer purchases in real terms showed a year-to-year decline in all three categories of expenditure in the first nine months of 1958.

Thus the rise in personal expenditure in the first three quarters of 1958 has fallen short of the rise in personal disposable income. The relatively high rate of personal saving is one of the notable developments of the year. It may be noted that the volume of consumer credit outstanding on the books of instalment finance companies during the first three quarters failed to rise as is the usual seasonal pattern.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services was at \$6.1 billion, seasonally adjusted at annual rates, in the third quarter of 1958, an increase of about 1 per cent over the second quarter. In the first three quarters of 1958 this component was 6 per cent higher than in the same period of 1957. The major increases took place at the provincial and municipal levels. A good proportion of the increase at all levels was accounted for by higher salary and wage bills and greater outlays on capital investments.

#### Residential Construction

Investment in residential construction continued to rise in the third quarter but at a slower rate. Outlays amounted to \$1.8 billion on a seasonally adjusted basis, about 3 per cent higher than in the second quarter. Housing starts, which were at their peak of 173,000 units in the first quarter of 1958, dropped to 161,000 units in the second quarter and showed a further decline to 156,000 units in the third.<sup>1</sup> At the same time housing completions continued to rise, from 144,000 units in the second quarter to 155,000 units in the third. The increase in the volume of housing put in place was somewhat lower than the value figures indicate.

The importance of housing in sustaining the level of economic activity in 1958 stands out sharply in the year-to-year comparisons of the components of expenditure. In the first nine months of this year outlays for housing were 28 per cent higher in value and 25 per cent larger in volume than in the like period of 1957. A significant part of housing was financed out of public funds; the Government had provided \$400 million for mortgage loans by May, 1958, when a further \$350 million was made available.

#### Business Fixed Capital Formation (excluding Housing)

Outlays for non-residential construction, at a seasonally adjusted

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1. These are the latest revised figures. They therefore differ from those published in the November issue of the Canadian Statistical Review.

annual rate of \$2.9 billion in the third quarter, were about 3 per cent lower than in the second quarter. This estimate represents a substantial decline from the peak level of \$3.3 billion recorded in the same quarter a year ago.

Expenditures for machinery and equipment in the third quarter are estimated at a seasonally adjusted annual rate of \$2.4 billion, slightly below the second quarter rate. The falling off in this component in 1958 has been much less pronounced than in 1957 when purchases of machinery and equipment fell from a \$3.0 billion peak in the first quarter to \$2.5 billion in the fourth.

When the first nine months of 1958 are compared with the same period of the previous year, business investment in plant and equipment is down 10 per cent, with the construction component off 8 per cent and machinery and equipment off 12 per cent. The relatively greater strength in the construction sector is related in part to a number of extremely large projects initiated in earlier years. However, the impact of weakened demand for machinery and equipment has fallen more on imports than on domestic shipments.

### Change in Business Inventories

The major expansionary element behind the rise in output from the second to third quarters was the turn-about in the position of business inventories as production and consumption came into better balance. At seasonally adjusted annual rates, the change in this component supplied a stimulus of slightly more than half a billion dollars, moving from liquidation of \$464 million in the second quarter to a limited accumulation of \$76 million. Most of this turn-around reflected physical changes in stocks for, in general, average prices over the six months did not move significantly.

Within the broad business frame, the manufacturing industries and wholesale trade appear to be the areas in which most of the change in inventory occurred. Stocks held by manufacturers, which were being drawn down at a rate of about \$0.3 billion in the second quarter, held steady in the third quarter. While raw materials continued to be liquidated at an increasing rate in the third quarter, inventories of both goods in process and finished goods moved from liquidation in the second quarter to a position of net accumulation in the third. The most sizable shift from liquidation to accumulation in the manufacturing component occurred in iron and steel products and in transportation equipment. A higher rate of accumulation in foods and beverages also contributed to the over-all change. Most other groups within manufacturing showed disinvestment during the third quarter, the heaviest liquidation occurring in wood products and non-ferrous metal products.

The movement in wholesale trade stocks was an important part of the change in the business total, with fairly widespread investment in the third quarter following upon the liquidation of the second quarter. The swing in the wholesale trade group was on the same scale as that in manufacturing. Retail traders also showed some build-up of stocks in the third quarter, in contrast to the second quarter, where the level of inventories remained unchanged.

A comparison of average annual rates in the first three quarters of 1958 with the full year 1957, indicates a turn-around of just over \$0.5 billion in the business inventory component. The total inventory build-up for the year 1957 as a whole amounted to almost \$250 million, while for the first nine months of 1958, inventory stocks have been drawn down at an average



rate of just under \$300 million. This major shift in the role of inventory investment between the two years was centred mainly in the manufacturing industry, but also affected the position of stocks held at both wholesale and retail. The year-to-year comparisons, however, conceal the fact that by the fourth quarter of 1957, business inventory accumulation had shifted to liquidation, and this continued during the present year until reversed in the third quarter.

### Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, declined by about 4 per cent between the second and third quarters, while imports of goods and services advanced fractionally. The major factor in the third quarter decline in exports was a drop in shipments of agricultural products, mainly wheat, but wood, wood products and paper, iron and its products (which includes iron ore) and chemicals and allied products were also down. The small increase in imports of goods and services in the third quarter was entirely attributable to a rise in invisibles, namely freight and shipping, interest and dividend payments, and transactions on tourist and travel account.

In the first nine months of 1958, exports of goods and services have shown little change from the same period a year ago, declining slightly, by about 2 per cent. Major increases have occurred in exports of uranium ores and concentrates; aircraft and parts; wheat, flour, and other grains; cattle; farm machinery; and natural gas. However, the over-the-year gains in these groups were offset by sizable declines in exports of crude petroleum, iron ore, newsprint, wood pulp, asbestos, and the majority of other non-ferrous metals.

By contrast, imports of goods and services in the first nine months of 1958 have shown a sharp decline compared with the same period of 1957, amounting to about 8 per cent. A major factor contributing to the reduction in imports has been the lower levels of business investment in Canada in 1958 in machinery and equipment items, construction materials, and inventories. For the first eight months of the year, imports of iron and its products were off by 20 per cent compared with the same period of 1957; major declines occurred in rolling mill products (54 per cent), pipes, tubes, and fittings (36 per cent), mining and metallurgical machinery (35 per cent), non-farm machinery (19 per cent). Declines were also widespread in other groups, including non-ferrous metals and products, crude petroleum, petroleum products, fibres and textiles, and chemicals and allied products. It may be noted that while imports of goods and services declined rather steeply -- by nearly 9 per cent -- from their peak in the fourth quarter of 1956, they have shown some tendency to strengthen in recent quarters. However, in the third quarter of this year, they were still running at a rate about 9 per cent below the peak reached in the fourth quarter of 1956. The movement of exports of goods and services over this period has been rather erratic, but they have not been subject to the same downward pressures as imports.

### COMPONENTS OF GROSS NATIONAL PRODUCT

#### Labour Income

Labour income, seasonally adjusted at annual rates, is estimated at \$16.2 billion in the third quarter, virtually level with the second quarter. This stability was the result of divergent industry movements. A substantial rise was recorded by the finance and non-government service group, with somewhat smaller gains in trade and in government. These increases were largely



offset by sharp drops in forestry and in mining, and more moderate declines in construction, utilities, and the transportation, storage, and communication group. Manufacturing, accounting for about one-third of total labour income, showed no change between the two quarters.

In the first nine months of this year, labour income is estimated to have averaged \$16.1 billion at annual rates, an increase of somewhat less than 2 per cent over the same period of 1957. Higher average weekly earnings were the main contributing factor to this increase. An examination of changes in the industrial components discloses a fairly clear and consistent difference between what may loosely be described as "goods-producing" industries and "service-producing" industries. Goods-producing industries, such as forestry, mining, and manufacturing, were either down from last year or showed little change. Service-producing industries, on the other hand, displayed considerable strength, with utilities, government and non-government services, and finance up by from 8 to 10 per cent, trade up by 4 per cent, and the transportation, storage, and communication group up by about 1 per cent.

#### Corporation Profits before Taxes

The steady quarterly decline in corporate profits, which began in the first quarter of 1957, came to a halt in the second quarter of 1958 and the third quarter showed some evidence of recovery. The estimate of corporate profits after dividends paid abroad of \$2.3 billion at seasonally adjusted annual rates represents a gain of 3 per cent from the second quarter. However, dividends paid abroad were sharply higher and profits before this deduction were up 5 per cent.

The increase in profits in the third quarter was fairly widely distributed among industries. About two-thirds of the manufacturing industries recorded gains, among them being the wood, paper, printing and publishing group, textiles, and electrical apparatus. Almost all the non-manufacturing industries earned higher profits, the most pronounced increases being in mining, quarrying and oil wells, and transportation, communication and storage.

It may be noted, however, that the gain in profits is partly a result of lower capital cost allowances charged by corporations. This is especially applicable to the increase in profits shown in the transportation, storage and communication group. Profits before capital cost allowances showed a gain of 2 per cent.

The impact of the recessionary influences on corporate profits is clearly apparent in the nine months comparison. Before dividends paid abroad, corporate profits in aggregate were down 13 per cent. In mining, quarrying and oil wells the decline was much sharper (33 per cent). The manufacturing group as a whole showed a drop of 16 per cent; the losses were widely distributed but most pronounced in products of petroleum and coal (59 per cent) and in iron and steel (27 per cent). The food and beverages group, chemicals and miscellaneous manufacturing experienced a modest improvement in profits. Industries other than mining and manufacturing show mixed trends, with gains in some and declines in others, the most notable being a 20 per cent drop in profits in wholesale trade.

Rent, Interest and Miscellaneous Investment Income

All the components of rent, interest and miscellaneous investment income advanced in the third quarter, bringing the total up about 12 per cent, on a seasonally adjusted basis. Higher interest receipts and increased rents account for a 4 per cent rise in the investment income of persons. Trading profits of government enterprises were also higher.

In a comparison of the first nine months of 1958 with the same period of 1957, rent, interest and miscellaneous investment income was higher by 7 per cent and all three components contributed to the increase. Trading profits of government enterprises rose 11 per cent. Interest, dividends and net rental income of persons was up slightly more than 7 per cent.

TABLE 1. NATIONAL INCOME AND  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Military Pay and Allowances .....	93	106	113	112	424
3. Corporation Profits before Taxes <sup>1</sup> .....	606	795	777	624	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	463	478	509	514	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-6	86	1,247	141	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	385	513	508	531	1,937
7. Inventory Valuation Adjustment <sup>4</sup> .....	-64	-86	-43	-67	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	4,858	5,529	6,961	5,706	23,054
9. Indirect Taxes less Subsidies .....	855	909	912	925	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	797	878	911	929	3,515
11. Residual Error of Estimate .....	-43	-68	-9	132	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(6,473)	(7,162)	(7,528)	(7,551)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,273	4,660	4,574	5,190	18,697
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,180	1,173	1,514	1,399	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,263	1,810	1,911	1,790	6,774
4. New Residential Construction .....	291	414	428	393	1,526
5. New Non-Residential Construction .....	425	624	806	734	2,589
6. New Machinery and Equipment .....	547	772	677	663	2,659
7. Value of Physical Change in Inventories <sup>3</sup> .....	62	-27	969	-189	815
8. Non-Farm Business Inventories .....	321	158	-11	77	545
9. Farm Inventories and Grain in Commercial Channels..	-259	-185	980	-266	270
10. Exports of Goods and Services .....	1,342	1,634	1,725	1,638	6,339
11. Deduct: Imports of Goods and Services .....	-1,697	-2,069	-1,926	-2,005	-7,697
12. Residual Error of Estimate .....	44	67	8	-131	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

4. Includes defence expenditures of:

1956				
I	II	III	IV	Year
490	394	448	468	1,800

1957				
I	II	III	IV	Year
509	386	442	431	1,768

1958		
I	II	III
470	377	404



GROSS NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
of dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,171	1.
108	116	131	121	476	117	126	125	2.
566	728	687	524	2,505	446	634	662	3.
521	515	569	574	2,179	526	531	643	4.
9	58	828	73	968	15	127	917	5.
406	511	505	519	1,941	420	536	553	6.
-29	-30	-7	6	-60	-15	3	10	7.
5,312	5,853	6,849	5,820	23,834	5,337	6,000	7,081	8.
955	948	963	936	3,802	937	955	961	9.
897	946	938	941	3,722	917	940	928	10.
-46	-36	39	128	85	-30	-15	69	11.
7,118	7,711	8,789	7,825	31,443	7,161	7,880	9,039	12.
(7,109)	(7,653)	(7,961)	(7,752)	(30,475)	(7,146)	(7,753)	(8,122)	13.

EXPENDITURE, BY QUARTERS, 1956-1958  
of dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
4,601	4,928	4,810	5,429	19,768	4,851	5,134	4,970	1.
1,265	1,294	1,620	1,433	5,612	1,317	1,372	1,727	2.
1,568	2,013	2,026	1,782	7,389	1,485	1,967	1,983	3.
252	364	396	412	1,424	312	477	508	4.
622	819	990	802	3,233	577	761	892	5.
694	830	640	568	2,732	596	729	583	6.
51	-24	559	-444	142	-245	-288	604	7.
304	80	-38	-103	243	68	-155	-54	8.
-253	-104	597	-341	-101	-313	-133	658	9.
1,408	1,579	1,761	1,627	6,375	1,371	1,614	1,658	10.
-1,821	-2,115	-1,948	-1,874	-7,758	-1,649	-1,934	-1,833	11.
46	36	-39	-128	-85	31	15	-70	12.
7,118	7,711	8,789	7,825	31,443	7,161	7,880	9,039	13.

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-117	-122	-125	-126	-490
3. Military Pay and Allowances .....	93	106	113	112	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-2	86	1,228	136	1,448
5. Net Income of Non-Farm Unincorporated Business .....	385	513	508	531	1,937
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	479	541	525	580	2,125
7. From Government (Excluding Interest) .....	540	420	404	401	1,765
8. Charitable Contributions by Corporations .....	7	8	8	7	30
9. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	400	459	426	435	1,720
2. Income Taxes .....	331	390	382	392	1,495
3. Succession Duties .....	37	50	30	29	146
4. Miscellaneous .....	32	19	14	14	79
5. Personal Expenditure on Consumer Goods and Services:	4,273	4,660	4,574	5,190	18,697
6. Non-Durable Goods .....	2,150	2,265	2,336	2,801	9,552
7. Durable Goods .....	482	704	592	628	2,406
8. Services <sup>1</sup> .....	1,641	1,691	1,646	1,761	6,739
9. Personal Net Saving: .....	93	70	1,511	-133	1,541
10. Personal Saving Excluding Change in Farm Inventories .....	314	247	558	180	1,299
11. Value of Physical Change in Farm Inventories .....	-221	-177	953	-313	242
12. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958
13. (Personal Disposable Income) <sup>2</sup> .....	(4,366)	(4,730)	(6,085)	(5,057)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958			
I	II	III	IV	Year	I	II	III	
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,171	1.
-133	-132	-141	-141	-547	-143	-137	-143	2.
108	116	131	121	476	117	126	125	3.
28	79	810	57	974	36	134	908	4.
406	511	505	519	1,941	420	536	553	5.
532	600	592	634	2,358	565	636	649	6.
594	471	491	527	2,083	757	630	584	7.
7	9	9	7	32	6	8	9	8.
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,856	9.

INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958			
I	II	III	IV	Year	I	II	III	
466	497	472	472	1,907	456	430	434	1.
393	444	424	429	1,690	381	376	392	2.
31	32	32	32	127	33	32	27	3.
42	21	16	11	90	42	22	15	4.
4,601	4,928	4,810	5,429	19,768	4,851	5,134	4,970	5.
2,272	2,417	2,436	2,896	10,021	2,411	2,527	2,509	6.
522	672	598	622	2,414	541	674	593	7.
1,807	1,839	1,776	1,911	7,333	1,899	1,933	1,868	8.
206	184	1,251	-174	1,467	279	412	1,452	9.
452	303	667	197	1,619	547	520	828	10.
-246	-119	584	-371	-152	-268	-108	624	11.
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,856	12.
(4,807)	(5,112)	(6,061)	(5,255)	(21,235)	(5,130)	(5,546)	(6,422)	13.



TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Military Pay and Allowances .....	396	420	432	448	424
3. Corporation Profits before Taxes <sup>1</sup> .....	2,860	2,840	2,736	2,772	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	1,876	1,952	1,984	2,044	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,432	1,496	1,452	1,482	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	1,904	1,964	1,952	1,928	1,937
7. Inventory Valuation Adjustment .....	-256	-344	-172	-268	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	22,272	22,900	23,340	23,704	23,054
9. Indirect Taxes less Subsidies .....	3,456	3,632	3,608	3,708	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,344	3,464	3,596	3,656	3,515
11. Residual Error of Estimate .....	28	-92	-112	224	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(27,668)	(28,408)	(28,980)	(29,800)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	18,320	18,464	18,824	19,180	18,697
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,936	5,196	5,420	5,512	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,148	6,688	7,012	7,248	6,774
4. New Residential Construction .....	1,576	1,584	1,512	1,432	1,526
5. New Non-Residential Construction .....	2,196	2,524	2,720	2,916	2,589
6. New Machinery and Equipment .....	2,376	2,580	2,780	2,900	2,659
7. Value of Physical Change in Inventories .....	980	708	424	1,148	815
8. Non-Farm Business Inventories .....	668	596	192	724	545
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> .....	312	112	232	424	270
10. Exports of Goods and Services .....	6,152	6,452	6,356	6,396	6,339
11. Deduct: Imports of Goods and Services .....	-7,408	-7,692	-7,720	-7,968	-7,697
12. Residual Error of Estimate .....	-28	88	116	-224	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

1956

3. Detail: Farm Inventories -

	I	II	III	IV
Value of grain crop production .....	1,232	1,236	1,236	1,236
Depletions of farm stocks of grain ....	-968	-1,116	-952	-964
Change in livestock inventories .....	52	-44	-16	36
Grain in Commercial Channels .....	-4	36	-36	116

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
15,524	15,828	16,048	15,900	15,825	15,896	16,160	16,196	1.
460	464	500	480	476	492	500	496	2.
2,664	2,548	2,420	2,388	2,505	2,164	2,216	2,280	3.
2,132	2,152	2,180	2,252	2,179	2,180	2,264	2,448	4.
996	904	1,092	880	968	1,100	1,276	1,220	5.
2,000	1,936	1,940	1,888	1,941	1,996	2,032	2,064	6.
-116	-120	-28	24	-60	-60	12	40	7.
23,660	23,712	24,152	23,812	23,834	23,768	24,460	24,744	8.
3,824	3,788	3,836	3,760	3,802	3,792	3,816	3,788	9.
3,752	3,732	3,696	3,708	3,722	3,836	3,712	3,664	10.
80	136	-4	128	85	168	188	192	11.
31,316	31,368	31,680	31,408	31,443	31,564	32,176	32,388	12.
(30,320)	(30,464)	(30,588)	(30,528)	(30,475)	(30,464)	(30,900)	(31,168)	13.

BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
19,564	19,600	19,860	20,048	19,768	20,460	20,472	20,508	1.
5,344	5,740	5,728	5,636	5,612	5,720	6,016	6,056	2.
7,552	7,468	7,376	7,160	7,389	7,192	7,236	7,176	3.
1,376	1,396	1,412	1,512	1,424	1,672	1,780	1,832	4.
3,160	3,272	3,308	3,192	3,233	3,012	3,008	2,924	5.
3,016	2,800	2,656	2,456	2,732	2,508	2,448	2,420	6.
400	364	60	-256	142	-704	-496	16	7.
540	372	80	-20	243	-492	-464	76	8.
-140	-8	-20	-236	-101	-212	-32	-60	9.
6,456	6,232	6,460	6,352	6,375	6,284	6,364	6,116	10.
-7,916	-7,900	-7,812	-7,404	-7,758	-7,216	-7,228	-7,288	11.
-84	-136	8	-128	-85	-172	-188	-196	12.
31,316	31,368	31,680	31,408	31,443	31,564	32,176	32,388	13.

1957				1958		
I	II	III	IV	I	II	III
808	808	808	808	848	852	852
-1,068	-1,000	-796	-932	-976	-956	-936
8	76	52	-180	-32	132	24
112	108	-84	68	-52	-60	0

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-472	-488	-496	-504	-490
3. Military Pay and Allowances .....	396	420	432	448	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,456	1,436	1,388	1,512	1,448
5. Net Income of Non-Farm Unincorporated Business .....	1,904	1,964	1,952	1,928	1,937
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	2,020	2,100	2,148	2,232	2,125
7. From Government (Excluding Interest) .....	1,760	1,760	1,772	1,768	1,765
8. Charitable Contributions by Corporations .....	32	28	28	32	30
9. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,656	1,716	1,752	1,756	1,720
2. Income Taxes .....	1,428	1,488	1,528	1,536	1,495
3. Succession Duties .....	148	148	144	144	146
4. Miscellaneous .....	80	80	80	76	79
5. Personal Expenditure on Consumer Goods and Services:	18,320	18,464	18,824	19,180	18,697
6. Non-Durable Goods .....	9,452	9,344	9,580	9,832	9,552
7. Durable Goods .....	2,328	2,452	2,420	2,424	2,406
8. Services <sup>1</sup> .....	6,540	6,668	6,824	6,924	6,739
9. Personal Net Saving: .....	1,180	1,612	1,604	1,768	1,541
10. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958
11. (Personal Disposable Income) <sup>2</sup> .....	(19,500)	(20,076)	(20,428)	(20,948)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1956-1958AT ANNUAL RATESof dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
15,524	15,828	16,048	15,900	15,825	15,896	16,160	16,196	1.
-532	-532	-560	-564	-547	-572	-560	-564	2.
460	464	500	480	476	492	500	496	3.
1,068	940	1,032	856	974	1,128	1,256	1,188	4.
2,000	1,936	1,940	1,888	1,941	1,996	2,032	2,064	5.
2,268	2,340	2,392	2,432	2,358	2,428	2,508	2,600	6.
1,968	2,008	2,156	2,200	2,083	2,440	2,652	2,616	7.
32	32	32	32	32	28	28	32	8.
22,788	23,016	23,540	23,224	23,142	23,836	24,576	24,628	9.

INCOME, BY QUARTERS, 1956-1958AT ANNUAL RATESof dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
1,920	1,912	1,920	1,876	1,907	1,824	1,676	1,776	1.
1,692	1,692	1,696	1,680	1,690	1,604	1,460	1,568	2.
124	128	128	128	127	124	124	120	3.
104	92	96	68	90	96	92	88	4.
19,564	19,600	19,860	20,048	19,768	20,460	20,472	20,508	5.
9,892	10,004	10,012	10,176	10,021	10,428	10,420	10,376	6.
2,480	2,332	2,484	2,360	2,414	2,496	2,416	2,408	7.
7,192	7,264	7,364	7,512	7,333	7,536	7,636	7,724	8.
1,304	1,504	1,760	1,300	1,467	1,552	2,428	2,344	9.
22,788	23,016	23,540	23,224	23,142	23,836	24,576	24,628	10.
(20,868)	(21,104)	(21,620)	(21,348)	(21,235)	(22,012)	(22,900)	(22,852)	11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,576	3,900	3,783	4,257	15,516
2. Non-Durable Goods .....	1,952	2,049	2,078	2,465	8,544
3. Durable Goods .....	438	642	545	560	2,185
4. Services .....	1,186	1,209	1,160	1,232	4,787
5. Government Expenditure on Goods and Services .....	852	826	1,067	969	3,714
6. Business Gross Fixed Capital Formation .....	923	1,320	1,379	1,268	4,890
7. New Residential Construction .....	214	303	311	283	1,111
8. New Non-Residential Construction .....	301	439	565	509	1,814
9. New Machinery and Equipment .....	408	578	503	476	1,965
10. Change in Inventories .....	-28	-117	1,186	-290	751
11. Non-Farm Business Inventories .....	280	132	-24	65	453
12. Farm Inventories and Grain in Commercial Channels..	-308	-249	1,210	-355	298
13. Exports of Goods and Services .....	1,136	1,372	1,444	1,370	5,322
14. Deduct: Imports of Goods and Services .....	-1,447	-1,768	-1,654	-1,721	-6,590
15. Residual Error of Estimate .....	34	52	6	-101	-9
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)					
DOLLARS .....	5,046	5,585	7,211	5,752	23,594

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

DOLLARS, BY QUARTERS, 1956-1958  
 FOR SEASONALITY <sup>1,2</sup>  
 of dollars)

1957				Year	1958			
I	II	III	IV		I	II	III	
3,699	3,957	3,823	4,335	15,814	3,802	3,998	3,850	1.
1,992	2,117	2,105	2,511	8,725	2,070	2,143	2,134	2.
456	580	525	548	2,109	468	580	520	3.
1,251	1,260	1,193	1,276	4,980	1,264	1,275	1,196	4.
864	867	1,089	946	3,766	859	887	1,135	5.
1,097	1,401	1,401	1,225	5,124	1,014	1,346	1,353	6.
181	258	279	290	1,008	219	331	350	7.
424	556	671	542	2,193	387	511	600	8.
492	587	451	393	1,923	408	504	403	9.
-42	-117	751	-499	93	-287	-348	810	10.
252	70	-26	-74	222	72	-108	-32	11.
-294	-187	777	-425	-129	-359	-240	842	12.
1,168	1,299	1,474	1,403	5,344	1,170	1,381	1,403	13.
-1,529	-1,769	-1,647	-1,574	-6,519	-1,352	-1,614	-1,552	14.
35	27	-29	-97	-64	23	11	-51	15.
5,292	5,665	6,862	5,739	23,558	5,229	5,661	6,948	16.





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CANADA

**NATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**FOURTH QUARTER**  
**AND**  
**PRELIMINARY ANNUAL**  
**1958**

*Published by Authority of*  
The Honourable Gordon Churchill, Minister of Trade and Commerce

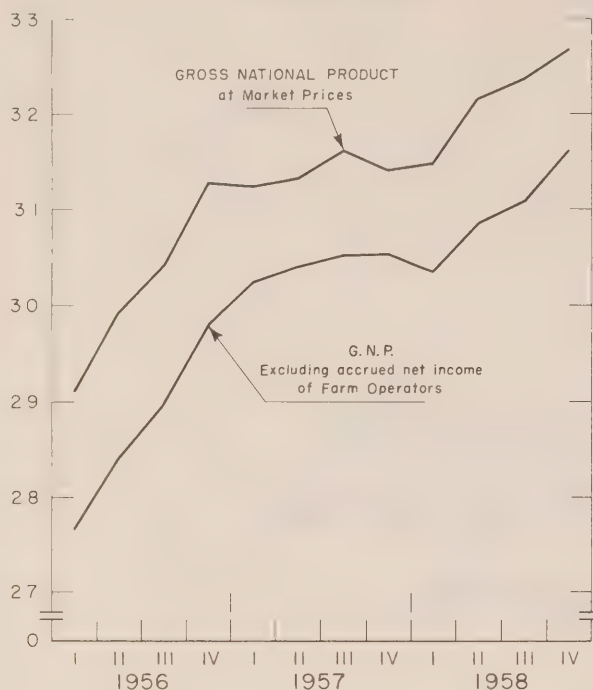
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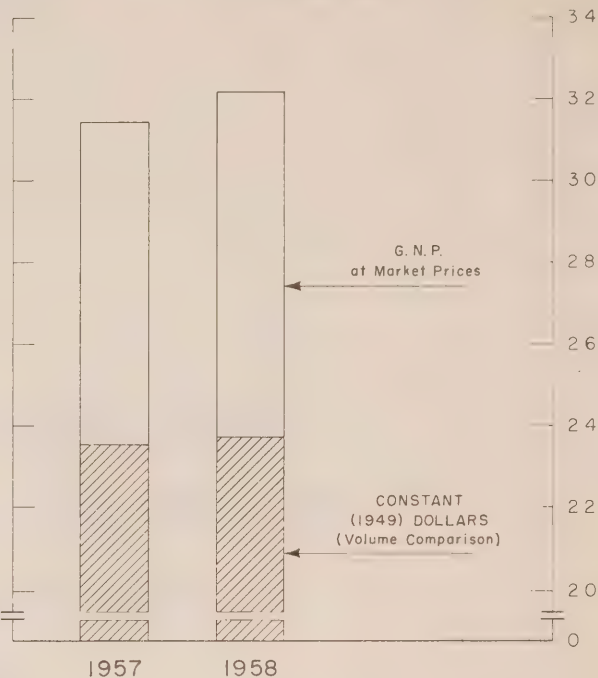
THE UPWARD TREND OF G. N. P.,  
WHICH WAS INTERRUPTED IN 1957,  
WAS RESUMED IN 1958

BILLIONS OF DOLLARS



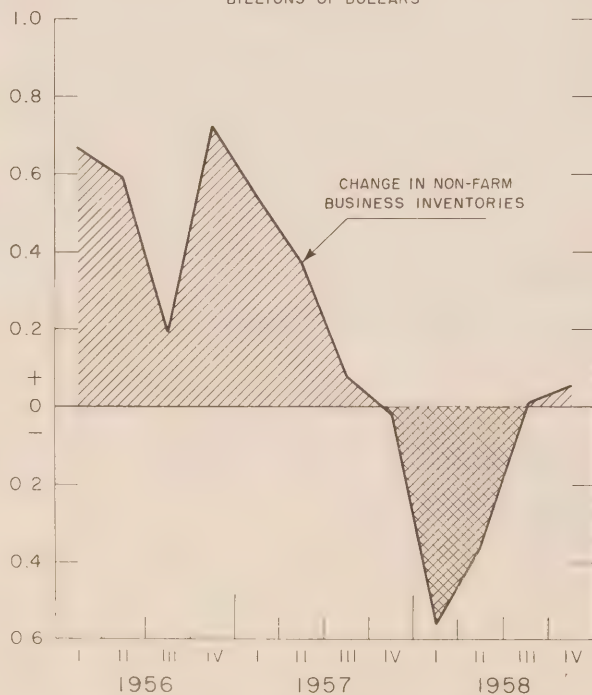
THE VALUE INCREASE FOR THE YEAR AS A WHOLE,  
OF 2.5 PER CENT, WAS LARGELY ACCOUNTED FOR  
BY PRICE FACTORS; THE VOLUME OF PRODUCTION  
ROSE BY LESS THAN 1 PER CENT.

BILLIONS OF DOLLARS



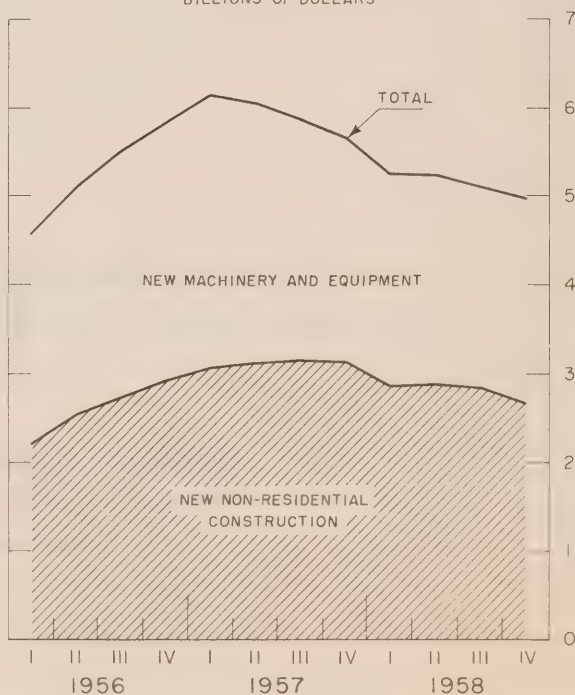
BUSINESS INVENTORY LIQUIDATION, WHICH  
ADVERSELY AFFECTED THE LEVEL OF PRO-  
DUCTION IN THE FIRST HALF OF THE YEAR,  
CAME TO A HALT IN THE SECOND HALF.

BILLIONS OF DOLLARS



HOWEVER, THE TREND OF BUSINESS  
OUTLAYS FOR PLANT AND EQUIPMENT  
CONTINUED DOWNWARD THROUGHOUT  
THE COURSE OF THE YEAR.

BILLIONS OF DOLLARS

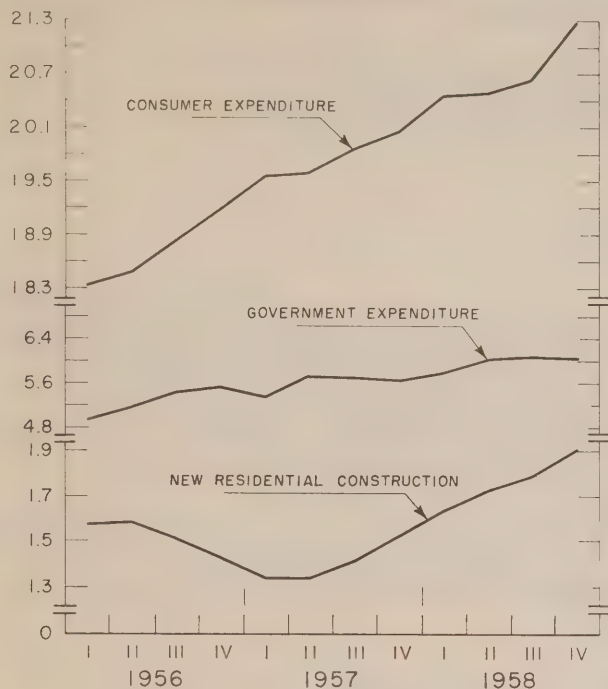


(DATA IN CHARTS 1, 3 AND 4 AT SEASONALLY ADJUSTED ANNUAL RATES)



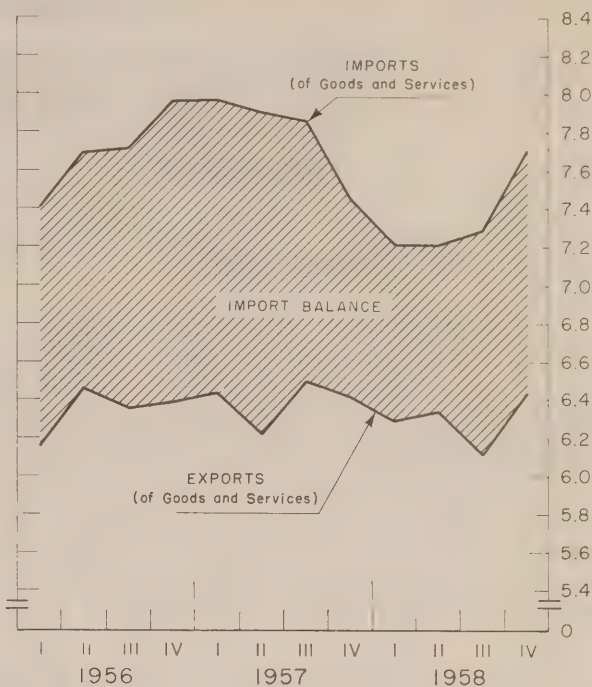
THE MAJOR STRENGTH ON THE DEMAND SIDE DURING 1958 WAS PROVIDED BY CONTINUED GROWTH IN CONSUMER AND GOVERNMENT EXPENDITURES AND BY A SHARP RISE IN OUTLAYS FOR NEW HOUSING.

BILLIONS OF DOLLARS



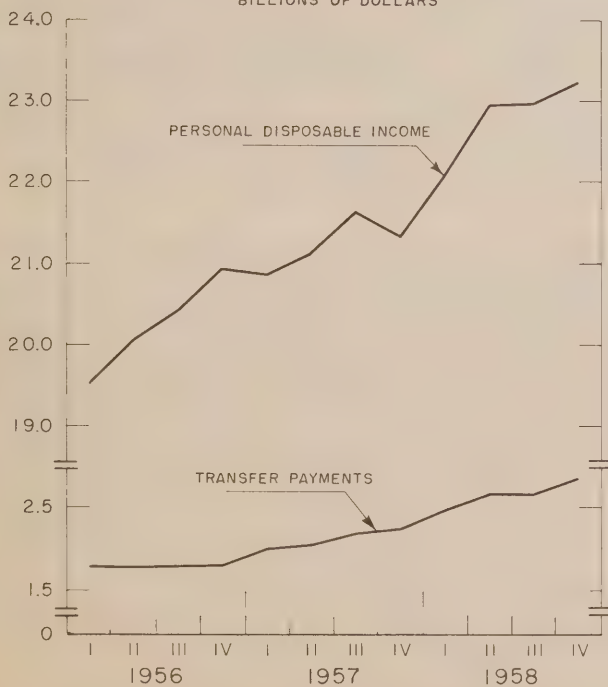
IMPORTS MOVED UPWARD IN THE LATTER HALF OF THE YEAR, FOLLOWING THE EARLIER SHARP DECLINE; EXPORTS CONTINUED TO MOVE IRREGULARLY THROUGHOUT 1958.

BILLIONS OF DOLLARS



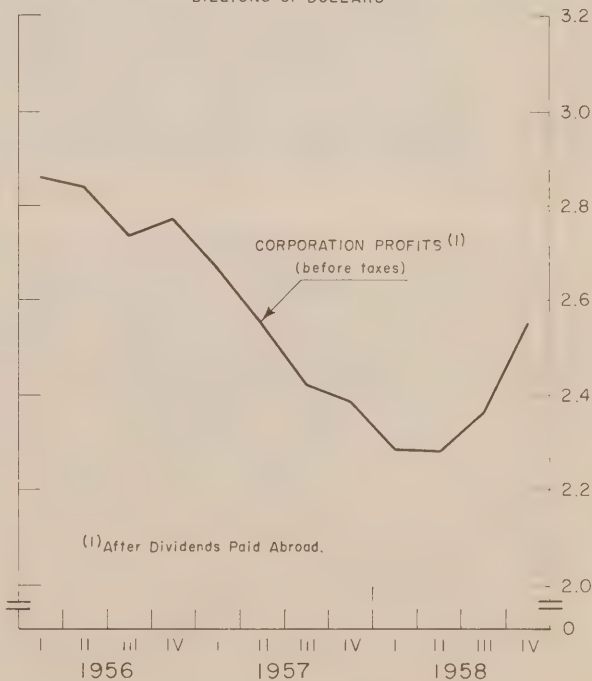
TRANSFER PAYMENTS FROM GOVERNMENT WERE THE LARGEST SINGLE FACTOR IN THE YEAR TO YEAR INCREASE OF DISPOSABLE INCOME.

BILLIONS OF DOLLARS



THE DOWN-TREND IN CORPORATION PROFITS WAS REVERSED DURING THE COURSE OF THE YEAR.

BILLIONS OF DOLLARS



(ALL DATA AT SEASONALLY ADJUSTED ANNUAL RATES)

## INTRODUCTORY REVIEW

(This report incorporates revisions to data for 1957 and 1958, based mainly on new information from "Private and Public Investment in Canada, Outlook 1959").

### The Year 1958 - Annual Review

The year 1958 witnessed a gradual resumption of the upward trend in Gross National Product which had been interrupted in 1957 as recessionary influences began to bear adversely upon the level of economic activity. By the second quarter of the year, the Gross National Product was showing a firmer trend and by the final quarter was responding to a sharp rise in consumer expenditures, a strong advance in exports of goods and services, and a cessation in the rate of business inventory liquidation which had previously been operating to hold production in check as final demand was met out of current inventory stocks. The year thus ended on a stronger note, although business outlays for new plant and equipment were still tending downward at year-end.

Despite the improvement in a number of the main statistical aggregates during the course of 1958, Gross National Product for the year as a whole was affected in a major way by the heavy inventory liquidation of the first half, and by the continued downward drift in business spending for new plant and equipment. As a result, the Gross National Product showed an advance of only 2.5 per cent over the year 1957, of which the larger part represented higher prices prevailing in the period. In volume terms, Gross National Product in 1958 is estimated to have risen by less than 1 per cent. The slight volume gain was attributable to higher production in the farm sector; the physical volume of non-farm production remained unchanged from the previous year. This relative stability in the physical volume of total output in 1958 compares with a gain of 9 per cent in 1955, 7 per cent in 1956, no change in 1957, and a postwar average for the years 1947 to 1958 of 4 per cent per year.

The broad changes in the main expenditure categories between the years 1957 and 1958, and the effect of these shifts on the Gross National Product, are shown in the table below. It is apparent that a major downward pressure during 1958 was coming from the business investment sector, with inventory liquidation assuming a major role, and declines in business outlays for non-residential construction and machinery and equipment acting to reinforce the curtailment in inventory demand. Altogether, these three components of the expenditure side accounted for a cut-back in the flow of expenditures equivalent to about \$1.3 billion in terms of new production. As will be noted, however, these downward tendencies in the economy were counteracted by the continued growth in consumer and government expenditures for goods and services, and the upswing in residential construction. These three elements on the demand side more than offset the declines noted in the business investment sector. At the same time, a good deal of the effect of the downward shift in domestic demand was transferred on to foreign sources of supply through



the mechanism of declining imports of goods and services. The fall-off here in 1958 amounted to \$0.4 billion, or about one-third of the net reduction in demand attributable to the business investment sector. The overall effect of these developments was to bring about a change in the value of Canadian production in 1958 of about 2.5 per cent over the level of the year 1957.

Changes in Components of Gross National Expenditure<sup>1.</sup>  
1957 to 1958

	\$ billions			2.
	<u>Year 1957</u>	<u>Year 1958</u>	<u>Change</u>	<u>Change %</u>
<u>Business Investment</u>				
Non-Residential Construction.....	3.1	2.8	- 0.3	- 9.3
Machinery and Equipment.....	2.8	2.3	- 0.5	-17.7
Inventories.....	0.1	- 0.4	- 0.5	n.a.
(Non-Farm Business Inventories)....	(0.2)	(- 0.2)	(- 0.4)	n.a.
Sub-Total.....	6.1	4.8	- 1.3	-21.7
<u>Other Purchases</u>				
Consumer Expenditures.....	19.8	20.7	0.9	4.8
Government Expenditures.....	5.6	6.0	0.4	6.8
Residential Construction.....	1.4	1.8	0.4	25.1
Exports.....	6.4	6.3	- 0.1	- 1.5
Sub-Total.....	33.2	34.8	1.6	4.8
<u>Total Final Purchases plus Inventory Investment</u>				
(Total Available Supply)....	39.3	39.5	0.3	0.7
Less: Imports.....	- 7.8	- 7.4	-(- 0.4)	- 5.6
<u>Gross National Expenditure</u>				
(Canadian Production).....	31.4	32.2	0.8	2.5

1. Figures will not add by +.1 or -.1 due to rounding.

2. Per cent changes based on unrounded data.

While these annual comparisons provide a useful setting for viewing the year 1958 in perspective, they conceal to a considerable extent the evidence of developing strength which became more apparent toward the end of the year. The table on the following page provides a view of the quarter-to-quarter changes, seasonally adjusted, in the main expenditure categories in 1958 against a background of trends in the two previous years. As has already been noted, business inventories, which were being liquidated heavily in the early part of the year (and thus acting as a brake on production), moved to a position of small net accumulation in the last half. In addition, while the downtrend in business outlays for new plant and equipment which developed in 1957 continued through all quarters of 1958, the declines were of more modest proportions in the last three quarters of the year. Thus, the major downward pressures on production which arose from weakness in these three areas during 1957 and the early part of 1958, were moderating in the last three quarters; in fact, the swing in business inventories to a position where they were making new demands on production all but offset the declines in plant and equipment investment.





This easing of the downward pressures coming from the business investment sector was accompanied by a sharp upswing in other final purchases of goods and services in the fourth quarter of the year, the largest increase since early in 1956. The rise reflected a sharp advance in personal expenditure on consumer goods and services of more than 3 per cent, though it should be noted that this increase followed upon a period in which consumer expenditures had shown little change for two quarters. Exports of goods and services, which were showing some weakness in 1958, also advanced strongly in the fourth quarter, with widespread gains in most of the main commodity groups. The developing strength in these final demand categories, and in the accompanying swing in business inventories brought about a reversal in the down-trend of imports of goods and services which had been under way since the second quarter of 1957; by the second quarter of 1958, imports had stopped declining, and in the last half of the year they moved upward, with an exceptionally sharp rise in the fourth quarter.

### Changes in Income During 1958

National income rose by about 3 per cent in 1958, but personal income increased by 6 per cent, and disposable income by more than 7 per cent. The major factors in the reconciliation of these differences are indicated in the table below.

#### Analysis of Changes in Major Income Components 1957 to 1958

	\$ billions			1.
	<u>Year 1957</u>	<u>Year 1958</u>	<u>Change</u>	<u>Change %</u>
<u>National Income</u> .....	23.8	24.7	+0.9	+3.5
Deduct: Corporation Profits.....	-2.5	-2.4	-(-0.1)	-5.4
Add: Dividends to Persons.....	0.4	0.4	-	-1.4
Add: Transfer Payments from government.....	2.1	2.6	+0.5	+26.2
Other.....	-0.7	-0.7	-	+9.5
Equals: <u>Personal Income</u> .....	23.1	24.6	+1.5	+6.2
Deduct: Personal Direct Taxes.....	-1.9	-1.8	-(-0.1)	-6.8
Equals: <u>Disposable Income</u> .....	21.2	22.8	+1.6	+7.4

1. Per cent changes based on unrounded data.

Transfer payments from government provided the most important single element in the differing rates of increase between national and personal income, and the rise here was very sharp, amounting to about 26 per cent. In addition, disposable income was further bolstered by a decline in direct personal tax collections. It is of interest to note that more than 40 per cent of the over-the-year increase of \$1.6 billion in disposable income can be attributed to changes which have occurred in the flow of transfer payments from the government to the personal sector, and in the reverse flow of tax collections from the personal sector to the government sector. National income, which does not reflect changes in these transfer-type transactions, was adversely affected in 1958 by a significant decline in the level of corporation profits, amounting to about 5 per cent.



A summary and consolidation of the series which accounted for the changes in total disposable income between 1957 and 1958, is given in the following table.

Changes in Disposable Income  
1957 to 1958

	\$ billions			Change <sup>1.</sup> %
	Year 1957	Year 1958	Change	
Transfer Payments from Government....	2.1	2.6	+0.5	26.2
Personal Direct Taxes.....	-1.9	-1.8	+0.1	-6.8
Wages and Salaries.....	15.8	16.2	+0.4	2.2
Net Income of Farm Operators.....	1.0	1.2	+0.2	23.8
Interest, Dividends and Net Rental Income.....	2.4	2.5	+0.2	7.6
Other Disposable Income.....	1.8	2.1	+0.2	12.8
Total Disposable Income.....	21.2	22.8	+1.6	7.4

1. Per cent changes based on unrounded data.

Turning to the trend of income during 1958, the movement from quarter to quarter of most of the components was uniformly upward, though the rates of increase varied substantially as is indicated by the year-to-year comparisons shown in the preceding tables. The major exception occurred in the case of corporation profits, where the down-turn which had been under way since early in 1956 was reversed during the course of the year 1958.

Production and Employment in 1958

The volume of production in 1958 was up only slightly above 1957, by less than 1 per cent. In general, gains in non-farm output originating in the broad group of service industries were substantially offset by losses in the output of the commodity-producing industries, considered as a whole. This shift in the product pattern of output, continuing a trend evident in 1957, is related to the impact of recessionary influences which bore most heavily on the commodity-producing industries.

Among the primary industries, the trends were mixed. Agricultural output rose substantially, mainly as a result of higher output and sales of livestock associated with opportunities for export to the United States and higher domestic prices; crop production was about the same as that of the previous year. Production in the forestry industry fell by about 10 per cent in the year-over-year comparison, reflecting a further sharp decline in output of pulpwood which was partially offset by higher production of other forest products. However, in the last three quarters of 1958, after allowing for seasonal factors, production in forestry appears to have stabilized at a level somewhat higher than at the end of 1957. Production in mining, quarrying and oil wells was about the same as in 1957; greatly expanded production of uranium and natural gas was important in sustaining over-all mining production in the face of a major decline in output of nickel, asbestos, iron ore and crude petroleum. Deterioration in the export market for these products accounts for these declines in output, although in the case of nickel a prolonged industrial dispute involving a major producer was also a factor. Mining production followed a gently declining trend throughout the year.



Manufacturing production fell by nearly 4 per cent in the year-to-year comparison, virtually all the decline being in durable manufacturing. The majority of the durable group industries shared in the decline, with the drop in output being most pronounced in transportation equipment (13 per cent) and in iron and steel (12 per cent). However, output of non-metallic minerals, having risen a little in 1957, rose substantially in 1958. In addition, output of wood products was a little higher than in 1957, after a sharp decline in that year. The decline in the production of durables of 7 per cent in 1958 compares with one of 5 per cent in 1957.

The non-durables manufacturing group displayed mixed trends within a relatively unchanged total. Printing, publishing and allied industries, products of petroleum and coal, clothing, rubber products and textiles reduced production by rates ranging from 3 to 7 per cent; the decline in output in leather products and paper products was comparatively small; output in the remaining divisions continued to rise, the significant gains being in tobacco products (8 per cent) and in food and beverages (3 per cent).

The pattern of manufacturing production through the year 1958 was one of recovery in the opening months rising to a peak in May, followed by a setback in the summer months, and renewed recovery in the last quarter. By December of 1958 the index of manufacturing production stood at 139.7 (1949 = 100), about 5 per cent above its low point one year earlier, but still 6 per cent below the peak reached in December 1956.

Production rose in all the service-producing industries in 1958 with the exception of transportation, communications and storage. The decline in the latter group was related to a drop in revenue freight car loadings of nearly 7 per cent; some other forms of transport, including oil pipelines and shipping also handled a smaller volume of business in 1958 as commodity-producing industries reduced their scale of operations and the volume of imports declined.

Turning now to the employment side, the total number of persons with jobs in 1958 averaged 0.4 per cent lower than in 1957, though the number of persons with jobs in the non-agricultural sector was up by 0.2 per cent. With the growth in the labour force and the decline in the total number of persons with jobs, the number of persons without jobs and seeking work amounted to 6.6 per cent of the labour force in 1958, compared with 4.3 per cent in 1957.

#### Value-Volume-Price Comparisons

Taking the change in the price of all components together, it is estimated that the price element of total Gross National Expenditure was higher in 1958 by about 2 per cent. As has been noted, this price advance accounted for the greater part of the increase in the value of production from 1957, so that in volume terms the Gross National Product showed only a slight increase. The value, volume and price components of each of the main expenditure categories are shown in the accompanying table.

It will be apparent that price factors were less conspicuous as an element of the value change in Gross National Product between 1958 and 1957, than in the preceding year. Almost all components of the Gross National Product registered smaller price advances in 1958 than in 1957. The price of consumer goods and services showed a further rise of 2.5 per cent, a somewhat more moderate advance than in 1957. The greater part of the increase was in the area of consumer services and non-durable goods; however, the price of consumer durable goods in 1958 also showed a small advance over the year 1957.

The capital goods sector in particular was less strongly influenced by advancing prices in 1958 than in the preceding year. The influence of moderating prices in this sector was reflected in both the machinery and equipment component and in the non-residential construction item; however, the price factor in residential construction advanced by about the same amount as in the previous year.

Percentage Change -- Value, Volume and Price

	<div style="text-align: center;"> <u>Year 1958</u>  <u>Year 1957</u> </div>			Price Change <sup>1.</sup>
	<u>Value</u>	<u>Volume</u>	<u>Price</u> <sup>1.</sup>	<u>Year 1957</u> <u>Year 1956</u>
Personal Expenditure.....	4.8 %	2.2 %	2.5 %	(3.5) %
Goods.....	4.2	2.2	1.8	(3.1)
Non-Durable.....	4.4	2.3	2.0	(2.9)
Durable.....	3.1	2.0	1.4	(3.9)
Services.....	5.8	2.0	3.6	(4.4)
Government Expenditure.....	6.8	3.5	2.4	(5.2)
Gross Fixed Capital Formation.....	-5.9	-7.7	2.2	(3.4)
New Residential Construction.....	25.1	22.3	2.5	(2.4)
New Non-Residential Construction.....	-9.3	-11.0	1.2	(2.8)
New Machinery and Equipment.....	-17.7	-19.4	2.7	(4.6)
Exports of Goods and Services.....	-1.5	1.2	-0.4	(0.5)
Imports of Goods and Services.....	-5.6	-6.0	1.1	(2.4)
Gross National Expenditure.....	2.5	0.8	2.1	(3.4)

1. The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The latter are weighted by changes in the expenditure pattern over time; between 1957 and 1958, weight shifts of this nature were sufficiently large to affect the use of the implicit deflators for pure price analysis. (See page 177, "National Accounts, Income and Expenditure, 1926-1956" for a discussion of the effect of weight shifts on the implicit deflators). A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

The Fourth Quarter

As is indicated in the table on page 6, total final purchases of goods and services rose sharply in the fourth quarter of 1958, showing much the largest advance since early in 1956. However, Canadian production did not reflect the full effects of this renewed strength, since close to one-half of the increase in final demand in the fourth quarter was met by a pronounced rise in imports of goods and services; in addition, that part of the rise in demand attributable to higher exports of goods and services was met in part by drawing upon existing stocks of grain and livestock, which showed a sharp liquidation in the fourth quarter. The rise in Gross National Product, seasonally adjusted, thus amounted to about 1 per cent in the fourth quarter, though the non-farm Gross National Product rose by close to 2 per cent.

Related information suggests that the advances in output in the fourth quarter were quite widespread by industry. Manufacturing production advanced by more than 2 per cent, following the weakness of the preceding quarter; both durable



and non-durable production advanced by about the same amount as the total index. All of the service-producing industries showed strong advances in the fourth quarter, with the gains in retail and wholesale trade, and transportation, storage and communication being especially marked. However, construction and mining were lower in the fourth quarter.

Personal expenditure on consumer goods and services, seasonally adjusted, rose by 3 per cent in the fourth quarter, one of the largest quarterly increases in recent years. A major advance occurred in expenditures on durables which were up by 8 per cent, largely as a result of a 15 per cent increase in expenditure on passenger cars. Outlays on non-durables and services rose by about 2 and 3 per cent respectively.

Exports of goods and services, seasonally adjusted, rose by 5 per cent in the fourth quarter, with both the commodity and service items showing roughly parallel movements. Gains were widespread among the commodity groups, but especially pronounced in agricultural and animal products and wood and wood products; exports of non-ferrous metals declined.

Business gross fixed capital formation remained practically unchanged in total in the fourth quarter, seasonally adjusted, but the components showed sharply divergent trends. A further advance in outlays for housing was not sufficient to offset the continued drop in expenditures on non-residential construction, but expenditures on machinery and equipment were moderately higher.

Investment in business inventories made only a small contribution to the level of activity in the fourth quarter. Stocks of manufacturing inventories showed some liquidation in the fourth quarter, but this was more than offset by an accumulation of stocks in trade. The latter build-up was most apparent in the durable trade groups, largely reflecting the flow of new model automobiles to dealers.

As has been noted, the rise in final demand in the fourth quarter was met in part by a large increase in imports of goods and services, amounting to 6 per cent. The advance was entirely attributable to an increase in commodity imports, which showed widespread gains; however, imports of iron and its products accounted for over half of the total increase, in addition to showing the sharpest percentage gain.

The major development on the income side in the fourth quarter was an estimated 8 per cent rise in corporate profits, following a smaller increase in the third quarter; the rise thus appears to have been fairly sharp in spite of the adverse effect of industrial disputes during the quarter. The rate of advance in labour income was also moderately higher than in the preceding quarter.

#### COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services rose to \$20.7 billion in 1958, nearly 5 per cent higher than in the previous year. The increase was fairly well distributed over the three main categories of consumer spending, with a gain in services of 6 per cent, non-durables of 4 per cent, and durables of 3 per cent. Higher prices and increased real consumption were about equally important in accounting for the near 5 per cent increase in total spending. The rise in real



consumption fell somewhat short of the growth of population and on a per capita basis real consumption declined a little for the second successive year; all three of the main categories of spending were affected.

Consumer outlays for non-durable goods were up about 4 per cent in 1958, with expenditures on food up 5 per cent, and on clothing up 4 per cent. The element of price increase contained in the estimate for expenditure on non-durables amounted to 2 per cent and to that extent the gain in real consumption was lower than the value figures. The drop in real per capita consumption, already noted, was common to most of the principal non-durable groups.

After showing no change in 1957, consumer purchases of durables rose 3 per cent in 1958. Modest gains took place in all the durable groups. Purchases of new passenger cars were up by more than 4 per cent but this gain was partially offset by lower purchases of used cars, so that the two together rose by 3 per cent. Since prices of durables are estimated to have risen only 1 per cent between the two years, the greater part of the rise in outlays represents higher purchasing in real terms.

Continuing to make relatively large gains, outlays in services rose nearly 6 per cent. Again, as in 1957, the advance in prices was most apparent in the services sector and nearly 4 percentage points of the gain mentioned above are accounted for by higher prices. Relatively large gains occurred in expenditure on shelter, household operation and utilities and medical care.

The rate of change in consumer expenditure was far from uniform through the year. The major part of the annual increase occurred in the first and final quarters, particularly in the latter; the second and third quarters showed only a small advance on a seasonally adjusted basis. This pattern in 1958 is largely the result of the decline in purchases of durables in the two middle quarters, but at the same time expenditures on non-durables remained virtually stable in this period.

The gain in total consumer expenditure in 1958 fell considerably short of the more than 7 per cent advance in personal disposable income. Thus a rise in the rate of personal saving, from \$1.5 billion in 1957 to \$2.1 billion in 1958, is one of the notable developments of the year. As a percentage of disposable income, personal saving amounted to 6.9 per cent in 1957 and 9.2 per cent in 1958, the latter being one of the highest ratios in the post-war period.

### Investment in Inventories

Total holdings of inventories were reduced in 1958, by about \$0.4 billion, in contrast to the year 1957 when a moderate build-up of inventories occurred. The turnaround reflects mainly a shift in the position of business inventories from accumulation to liquidation, but farm inventories and grain in commercial channels also contributed to the running down of total stocks in 1958.

For the year as a whole, business inventories generally were reduced against a background of uncertain business conditions. The liquidation of \$216 million in 1958 was the largest annual decline in the post-war period and represented a turnaround of just under \$500 million from 1957.

This drawing down of business inventories in 1958 was concentrated mainly in the manufacturing industries, and was in part a response to reduced factory shipments as well as a drop in the backlog of unfilled orders. Also, with excess

capacity in many industries, businessmen were able to obtain delivery on shorter notice, a factor which contributed to the trimming of stocks. Inventory liquidation was most pronounced in iron and steel products, and transportation equipment industries.

At the year-end, manufacturers in general had succeeded in reducing stock/shipments ratios sharply below the levels prevailing at year-end 1956 and 1957, and close to the low levels prevailing at the end of 1955. The most notable exception to this trend was the non-ferrous metal products industry, where stock/shipments ratios at the end of the year were higher than in the three previous years.

Trade inventories showed, on balance, a slight accumulation in 1958, mainly as a result of the continued build-up of stocks in retail food stores. This accumulation appears consistent with increased retail and wholesale sales in 1958. The pick-up in sales, however, reduced stock/sales ratios at the year-end below the level of the year-end 1957.

The trend of business inventories through the year was an important determinant of the level of economic activity in 1958. In the first quarter final demand was partly met by drawing down business inventories, with the liquidation amounting to an annual rate, seasonally adjusted, of \$560 million. The rate of liquidation slowed markedly in the second quarter and by the fourth quarter stocks were being built up at a rate of \$56 million. Thus the shift from liquidation to accumulation between the first and last quarters of the year represented an additional demand on current production and imports of over \$600 million at annual rates.

#### Gross Fixed Capital Formation

Business gross fixed capital formation, estimated at \$6,899 million in 1958, fell about 6 per cent from the level of the previous year, following three years of impressive increases. The total was the outcome of a major advance in outlays for housing and a drop in expenditures for both non-residential construction and machinery and equipment, especially the latter.

Investment in housing established new records in 1958; dwellings started rose to 164,600 units from 122,300 units, dwellings completed to 146,700 units from 117,300 units, and dwellings under construction at the year-end to 88,200 units from 72,600 a year earlier. Estimated at \$1,762 million in 1958, expenditures on housing were 25 per cent higher than in 1957. Activity in housing was encouraged by Government advances to the Central Mortgage and Housing Corporation for mortgage lending under the National Housing Act and by the increased availability of financing from private sources. Somewhat more than half the houses started in 1958 were financed under the National Housing Act. Expenditures on housing rose continuously throughout the year.

Business expenditures for plant and equipment, estimated at \$5,137 million in 1958, were 13 per cent lower than in 1957, with the construction component down 9 per cent and the machinery and equipment component down 18 per cent. The distribution of investment by industry was strikingly altered. Outlays for financial services and for institutions rose sharply, but all other industries except agriculture curtailed their investment in varying degrees. The rate of decline was pronounced in the primary industries, particularly in mining, which showed a drop of 40 per cent. Investment in manufacturing fell 27 per cent, reflecting reduced outlays in all industry divisions except foods and beverages, tobacco products and products of petroleum and coal. The huge investment program of the utilities was



lower by 8 per cent. The fact that some major projects initiated in previous years moved close to completion, without new projects of comparable size coming forward, was a factor in the trend of investment outlays in 1958.

So far as the trend through the year is concerned, expenditures for non-residential construction were falling in the second half of 1958 but purchases of machinery and equipment were stronger in the final quarter, after several successive declines.

The prices prevailing in the investment sector in 1958 were about 2 per cent higher than in 1957, so that the decline in the volume of investment was actually somewhat greater than the 6 per cent drop indicated by the value figures.

#### Exports and Imports of Goods and Services

Exports of goods and services in 1958 amounted to \$6.3 billion, 2 per cent lower than in 1957. The fall in receipts pertains largely to the service items; commodity exports held close to the level of the record year 1957.

Mixed trends in merchandise exports had developed in 1957 and were accentuated in 1958; the virtually unchanged total for the year was the outcome of large increases in some commodities and numerous declines in others. Two new resource products, uranium ores and concentrates, and natural gas, continued to make growing contributions to export totals, their value rising by about \$165 million between the two years. Other exports whose value rose sharply were wheat and flour, an increase of about \$75 million; cattle, an increase of about \$45 million; and aircraft, an increase of about \$70 million. Decreases occurred in many traditional exports as well as in some of the new resource products. In the first category are pulp and paper, copper, nickel, lead, zinc and asbestos, and in the second, petroleum and iron ore; the value of exports of the last two items fell by about \$110 million. The quarter-to-quarter movement of commodity exports during the year was uneven, with a rise in the second quarter, a decline in the third, and a further sharp rise in the fourth.

Imports of goods and services in 1958 were \$7.4 billion, nearly 6 per cent less than in 1957. The bulk of the decline occurred in commodity imports; payments on invisible account were only slightly lower.

Most of the 8 per cent drop in commodity imports was concentrated in those groups where imports had risen very sharply during the period of rapidly rising investment in plant and equipment in 1955 and 1956. The biggest increases had been in metal products and it was these groups which accounted for some three-quarters of the decline in commodity imports in 1958; imports of iron and its products fell by 13 per cent and of non-ferrous metals by 11 per cent. Even more striking were the declines in imports of specific types of metal products; imports of mining and metallurgical machinery, rolling mill products and pipes, tubes and fittings were down by rates that ranged from 35 to 40 per cent. The reduction in imports of fuels was also large. The drawing down of inventories in the first half of the year was a further factor contributing to the drop in imports in 1958. However, imports of many consumer goods remained at much the same level as in the previous year. By the middle of 1958, the downtrend of imports of goods and services had levelled off, and in the last half of the year imports were rising again; the fourth quarter advance was one of the sharpest for several years.

Receipts from invisibles fell by 5 per cent in 1958, an important factor in the decline being lower earnings from freight and shipping. This development was



associated with lower external trade in commodities having high transportation costs and further sales of Canadian vessels. Receipts from miscellaneous services were also considerably lower. Payments on invisibles in 1958 were only a little lower than in 1957. However, payments for freight and shipping were substantially lower, reflecting the drop in imports and a decline in rates for ocean shipping.

With commodity exports at \$4,890 million and commodity imports at \$5,064 million, the deficit on visible account in 1958 contracted sharply to \$174 million from \$579 million in 1957; the deficit on invisibles rose to \$889 million from \$823 million in the previous year. The over-all deficit was thus sharply reduced, falling from \$1.4 billion in 1957 to \$1.1 billion in 1958, a decline of 24 per cent.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services rose to \$6.0 billion in 1958, some 7 per cent higher than in 1957. More than two-thirds of this advance is accounted for by increased outlays of the provincial and municipal governments, reflecting mainly higher expenditures for capital works and for wages and salaries. At the federal level, outlays for goods and services were higher by about 4 per cent in 1958. Defence expenditures were lower by about 6 per cent, but this decline was more than offset by a 23 per cent advance in outlays for goods and services for non-defence purposes; the latter reflected larger expenditures for public works, higher payments on wage and salary account, the service costs of the conversion loan, and larger purchases under the Agricultural Stabilization Act.

### COMPONENTS OF GROSS NATIONAL PRODUCT

#### Wages and Salaries

Labour income rose to \$16.2 billion in 1958, slightly more than 2 per cent above the level of the year 1957. The major part of this advance in labour income is accounted for by higher average weekly earnings.

Forestry, transportation, construction, mining and manufacturing did not share in the annual advance in labour income. Labour income in forestry fell sharply, reflecting the much reduced level of employment in the industry. The decline in labour income in mining and manufacturing, a little more than 1 per cent, is related in part to the incidence of industrial disputes in these industries.

Labour income rose in all the service-producing industries in 1958, except in transportation, reflecting generally expanded employment as well as further advances in average weekly earnings. In general, the increases were quite substantial; for example, finance, insurance and real estate and non-government services recorded gains of about 9 per cent.

#### Corporation Profits and Other Investment Income

Corporate profits before taxes and including dividends paid abroad declined more than 6 per cent in 1958, reflecting the impact of recessionary influences on corporate earnings. In this situation dividends paid abroad (including remitted profits), were cut by 10 per cent so that corporate profits after dividends paid to non-residents, the figure included in national income, declined by about 5 per cent.

The trend of corporate earnings by industry mirrored the mingled elements of weakness and strength present in the economy in 1958. The sharpest drop in profits - 25 per cent - occurred in mining, quarrying and oil wells. Profits in manufacturing fell 10 per cent, the major declines being in iron and steel, petroleum and coal and electrical apparatus and supplies. This experience is related in part to the lower domestic demand for durable goods. Certain other manufacturing industries had higher earnings, notably foods and beverages, wood and paper products and chemicals.

In general, the service-connected industries earned somewhat higher profits in 1958. The major exception was wholesale trade where profits declined by 13 per cent. There was also some decline in earnings in transportation, communications and storage.

The quarterly pattern of corporate profits during 1958 reveals the sensitivity to changes in the tempo of economic activity characteristic of this component. After a series of successive declines, corporate profits stabilized in the second quarter of 1958 and then rose at an accelerating rate in the second half of the year. Although the fourth quarter returns are not yet fully tabulated, preliminary compilations indicate that the increase in the final quarter of the year was quite pronounced and was fairly widespread by major industry groups.

Rent, interest and miscellaneous investment income, estimated at \$2.4 billion in 1958, was 9 per cent higher than in the previous year. All the components, -- net rents, investment income of life insurance companies, trading profits of government enterprises and other miscellaneous investment income -- contributed in varying degrees to this increase.

#### Net Income of Unincorporated Business

Accrued net income of farm operators from farm production is estimated to be \$1,202 million in 1958, a major advance of 24 per cent over 1957. With little change in crop production, the source of the increase was larger output and higher prices for livestock and animal products.

Net income of non-farm unincorporated business rose to an estimated \$2,079 million in 1958, 7 per cent higher than in 1957. The largest gains occurred in construction and fishing but retail trade and the service groups also showed some increases.

#### Indirect Taxes Less Subsidies

Indirect taxes less subsidies, estimated at \$3.8 billion in 1958, were slightly higher than in the preceding year. The increase reflected a small gain in yields from indirect taxes partly offset by a sharp rise in subsidies.

A 1 per cent increase in yields from indirect taxes was the outcome of largely offsetting changes in the revenues of the different levels of government. Revenues from this source dropped significantly at the federal level, mainly as a result of the fall in imports and the accompanying decline in the yield of customs import duties; excise taxes were also down. Higher yields from real and personal municipal taxes and increased revenues from provincial sales and gasoline taxes were largely responsible for raising indirect taxes in total.

Federal subsidies rose by 21 per cent, with agricultural subsidies accounting for most of the increase.



## National Saving and Investment

Gross national saving declined by 9 per cent in 1958, from approximately \$6.0 billion in 1957 to \$5.5 billion. The decline was entirely attributable to a shift in the position of the government sector from a small surplus in 1957 to a deficit of more than \$1 billion in 1958; \* this change in the position of the government sector was partly offset by a sharp increase in the rate of personal saving, but the saving of the business sector remained unchanged from the previous year. As a percent of Gross National Product, total national saving amounted to 17 per cent in 1958 compared with 19 per cent in 1957.

	<u>1957</u>	<u>1958</u>	<u>Change</u> <u>1957 to 1958</u>
	(billions of dollars)		
Personal Saving.....	1.5	2.1	+0.6
Business Saving.....	4.5	4.5	-
Government Deficit.....	-	-1.0	-1.1
Gross National Saving <sup>1</sup> .....	6.0	5.5	-0.5
Business Gross Fixed Capital Formation.....	7.3	6.9	-0.4
Change in Inventories.....	0.1	-0.4	-0.5
Net Foreign Investment.....	-1.4	-1.1	+0.3
Gross National Investment <sup>1</sup> .....	6.0	5.5	-0.5

1. Figures will not add by +.1 or -.1 due to rounding.

The nation's total capital investment program for plant, machinery and equipment, housing, and inventories was considerably lower in 1958 than in the previous year. Business gross fixed capital formation declined by 6 per cent, while inventories shifted from a position of accumulation in 1957 to one of net liquidation in 1958. As in the preceding year, however, the amount of saving available from domestic sources was insufficient to support the capital investment program. This short-fall in the nation's saving was met by drawing upon foreign resources, and the deficit on current account in 1958 amounted to \$1.1 billion, a decline of about 24 per cent from the \$1.4 billion deficit of the previous year.

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\* The deficits and surpluses referred to here are based on National Accounts definitions and thus differ from the conventional budgetary figures reported in the various public accounts.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Military Pay and Allowances .....	93	106	113	112	424
3. Corporation Profits before Taxes <sup>1</sup> .....	606	795	777	624	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	463	478	509	514	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-6	86	1,247	141	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	385	513	508	531	1,937
7. Inventory Valuation Adjustment <sup>4</sup> .....	-64	-86	-43	-67	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	4,858	5,529	6,961	5,706	23,054
9. Indirect Taxes less Subsidies .....	855	909	912	925	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	797	878	911	929	3,515
11. Residual Error of Estimate .....	-43	-68	-9	132	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(6,473)	(7,162)	(7,528)	(7,551)	(28,714)

1. Excludes dividends paid to non-residents.
2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.
3. Includes net income of independent professional practitioners.
4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,273	4,660	4,574	5,190	18,697
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,180	1,173	1,514	1,399	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,263	1,810	1,911	1,790	6,774
4. New Residential Construction .....	291	414	428	393	1,526
5. New Non-Residential Construction .....	425	624	806	734	2,589
6. New Machinery and Equipment .....	547	772	677	663	2,659
7. Value of Physical Change in Inventories <sup>3</sup> .....	62	-27	969	-189	815
8. Non-Farm Business Inventories .....	321	158	-11	77	545
9. Farm Inventories and Grain in Commercial Channels..	-259	-185	980	-266	270
10. Exports of Goods and Services .....	1,342	1,634	1,725	1,638	6,339
11. Deduct: Imports of Goods and Services .....	-1,697	-2,069	-1,926	-2,005	-7,697
12. Residual Error of Estimate .....	44	67	8	-131	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	6,467	7,248	8,775	7,692	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).
4. Includes defence expenditures of:

1956				
I	II	III	IV	Year
490	394	448	468	1,800

1957				
I	II	III	IV	Year
509	386	442	431	1,768

1958				
I	II	III	IV	Year
470	377	404	408	1,659

GROSS NATIONAL PRODUCT, BY QUARTERS, 1956-1958  
of dollars)

1957					1958				
I	II	III	IV	Year	I	II	III	IV	Year
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,173	4,136	16,180 1.
108	116	131	121	476	117	126	125	123	491 2.
566	728	687	524	2,505	470	649	680	570	2,369 3.
521	515	569	574	2,179	526	531	629	688	2,374 4.
9	58	828	73	968	15	127	920	140	1,202 5.
406	511	505	519	1,941	420	536	553	570	2,079 6.
-29	-30	-7	6	-60	-15	3	10	-32	-34 7.
5,312	5,853	6,849	5,820	23,834	5,361	6,015	7,090	6,195	24,661 8.
955	948	963	936	3,802	937	955	961	972	3,825 9.
897	946	938	941	3,722	917	940	928	940	3,725 10.
-64	-48	21	139	48	-72	-66	28	83	-27 11.
7,100	7,699	8,771	7,836	31,406	7,143	7,844	9,007	8,190	32,184 12.
(7,091)	(7,641)	(7,943)	(7,763)	(30,438)	(7,128)	(7,717)	(8,087)	(8,050)	(30,982) 13.

EXPENDITURE, BY QUARTERS, 1956-1958  
of dollars)

I	II	III	IV	Year	I	II	III	IV	Year
4,601	4,928	4,810	5,429	19,768	4,855	5,135	4,989	5,734	20,713 1.
1,265	1,294	1,620	1,433	5,612	1,327	1,381	1,731	1,555	5,994 2.
1,544	1,992	2,001	1,798	7,335	1,405	1,874	1,907	1,713	6,899 3.
248	359	393	409	1,409	301	457	494	510	1,762 4.
579	775	946	803	3,103	535	724	861	693	2,813 5.
717	858	662	586	2,823	569	693	552	510	2,324 6.
51	-24	559	-444	142	-245	-288	587	-440	-386 7.
304	80	-38	-103	243	68	-155	-75	-54	-216 8.
-253	-104	597	-341	-101	-313	-133	662	-386	-170 9.
1,412	1,579	1,767	1,636	6,394	1,378	1,607	1,654	1,659	6,298 10.
-1,837	-2,119	-1,964	-1,876	-7,796	-1,649	-1,932	-1,832	-1,948	-7,361 11.
64	49	-22	-140	-49	72	67	-29	-83	27 12.
7,100	7,699	8,771	7,836	31,406	7,143	7,844	9,007	8,190	32,184 13.

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,381	3,637	3,850	3,851	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-117	-122	-125	-126	-490
3. Military Pay and Allowances .....	93	106	113	112	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-2	86	1,228	136	1,448
5. Net Income of Non-Farm Unincorporated Business .....	385	513	508	531	1,937
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	479	541	525	580	2,125
7. From Government (Excluding Interest) .....	540	420	404	401	1,765
8. Charitable Contributions by Corporations .....	7	8	8	7	30
9. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	400	459	426	435	1,720
2. Income Taxes .....	331	390	382	392	1,495
3. Succession Duties .....	37	50	30	29	146
4. Miscellaneous .....	32	19	14	14	79
5. Personal Expenditure on Consumer Goods and Services:	4,273	4,660	4,574	5,190	18,697
6. Non-Durable Goods .....	2,150	2,265	2,336	2,801	9,552
7. Durable Goods .....	482	704	592	628	2,406
8. Services <sup>1</sup> .....	1,641	1,691	1,646	1,761	6,739
9. Personal Net Saving: .....	93	70	1,511	-133	1,541
10. Personal Saving Excluding Change in Farm Inventories .....	314	247	558	180	1,299
11. Value of Physical Change in Farm Inventories .....	-221	-177	953	-313	242
12. PERSONAL INCOME .....	4,766	5,189	6,511	5,492	21,958
13. (Personal Disposable Income) <sup>2</sup> .....	(4,366)	(4,730)	(6,085)	(5,057)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958				
I	II	III	IV	Year	I	II	III	IV	Year
3,731	3,955	4,136	4,003	15,825	3,828	4,043	4,173	4,136	16,180
-133	-132	-141	-141	-547	-143	-137	-143	-145	-568
108	116	131	121	476	117	126	125	123	491
28	79	810	57	974	36	134	911	125	1,206
406	511	505	519	1,941	420	536	553	570	2,079
532	600	592	634	2,358	565	636	649	688	2,538
594	471	491	527	2,083	757	630	591	650	2,628
7	9	9	7	32	6	8	9	9	32
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,868	6,156	24,586

INCOME, BY QUARTERS, 1956-1958  
of dollars)

1957					1958				
I	II	III	IV	Year	I	II	III	IV	Year
466	497	472	472	1,907	456	430	437	454	1,777
393	444	424	429	1,690	381	376	392	405	1,554
31	32	32	32	127	33	32	27	32	124
42	21	16	11	90	42	22	18	17	99
4,601	4,928	4,810	5,429	19,768	4,855	5,135	4,989	5,734	20,713
2,272	2,417	2,436	2,896	10,021	2,413	2,527	2,506	3,016	10,462
522	672	598	622	2,414	541	674	593	682	2,490
1,807	1,839	1,776	1,911	7,333	1,901	1,934	1,890	2,036	7,761
206	184	1,251	-174	1,467	275	411	1,442	-32	2,096
452	303	667	197	1,619	543	519	814	358	2,234
-246	-119	584	-371	-152	-268	-108	628	-390	-138
5,273	5,609	6,533	5,727	23,142	5,586	5,976	6,868	6,156	24,586
(4,807)	(5,112)	(6,061)	(5,255)	(21,235)	(5,130)	(5,546)	(6,431)	(5,702)	(22,809)

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Military Pay and Allowances .....	396	420	432	448	424
3. Corporation Profits before Taxes <sup>1</sup> .....	2,860	2,840	2,736	2,772	2,802
4. Rent, Interest and Miscellaneous Investment Income ..	1,876	1,952	1,984	2,044	1,964
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,432	1,496	1,452	1,492	1,468
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	1,904	1,964	1,952	1,928	1,937
7. Inventory Valuation Adjustment .....	-256	-344	-172	-268	-260
8. NET NATIONAL INCOME AT FACTOR COST .....	22,272	22,900	23,340	23,704	23,054
9. Indirect Taxes less Subsidies .....	3,456	3,632	3,608	3,708	3,601
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,344	3,464	3,596	3,656	3,515
11. Residual Error of Estimate .....	28	-92	-112	224	12
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(27,668)	(28,408)	(28,980)	(29,800)	(28,714)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	18,320	18,464	18,824	19,180	18,697
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,936	5,196	5,420	5,512	5,266
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,148	6,688	7,012	7,248	6,774
4. New Residential Construction .....	1,576	1,584	1,512	1,432	1,526
5. New Non-Residential Construction .....	2,196	2,524	2,720	2,916	2,589
6. New Machinery and Equipment .....	2,376	2,580	2,780	2,900	2,659
7. Value of Physical Change in Inventories .....	980	708	424	1,148	815
8. Non-Farm Business Inventories .....	668	596	192	724	545
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> ..	312	112	232	424	270
10. Exports of Goods and Services .....	6,152	6,452	6,356	6,396	6,339
11. Deduct: Imports of Goods and Services .....	-7,408	-7,692	-7,720	-7,968	-7,697
12. Residual Error of Estimate .....	-28	88	116	-224	-12
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	29,100	29,904	30,432	31,292	30,182

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

	1956				Year
	I	II	III	IV	
3. <u>Detail:</u> Farm Inventories -					
Value of grain crop production .....	1,232	1,236	1,236	1,236	1,235
Depletions of farm stocks of grain ....	-968	-1,116	-952	-964	-1,000
Change in livestock inventories .....	52	-44	-16	36	7
Grain in Commercial Channels .....	-4	36	-36	116	28

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

NATIONAL PRODUCT, BY QUARTERS, 1956-1958AT ANNUAL RATESof dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
15,524	15,828	16,048	15,900	15,825	15,904	16,164	16,208	16,444	16,180	1.
460	464	500	480	476	492	500	488	484	491	2.
2,664	2,548	2,420	2,388	2,505	2,284	2,280	2,360	2,552	2,369	3.
2,132	2,152	2,180	2,252	2,179	2,204	2,288	2,440	2,564	2,374	4.
996	904	1,092	880	968	1,132	1,308	1,284	1,084	1,202	5.
2,000	1,936	1,940	1,888	1,941	2,012	2,048	2,088	2,168	2,079	6.
-116	-120	-28	24	-60	-60	12	40	-128	-34	7.
23,660	23,712	24,152	23,812	23,834	23,968	24,600	24,908	25,168	24,661	8.
3,824	3,788	3,836	3,760	3,802	3,796	3,816	3,808	3,880	3,825	9.
3,752	3,732	3,696	3,708	3,722	3,836	3,712	3,664	3,688	3,725	10.
12	92	-56	144	48	-104	44	-8	-40	-27	11.
31,248	31,324	31,628	31,424	31,406	31,496	32,172	32,372	32,696	32,184	12.
(30,252)	(30,420)	(30,536)	(30,544)	(30,438)	(30,364)	(30,864)	(31,088)	(31,612)	(30,982)	13.

BY QUARTERS, 1956-1958AT ANNUAL RATESof dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
19,564	19,600	19,860	20,048	19,768	20,456	20,496	20,620	21,280	20,713	1.
5,344	5,740	5,728	5,636	5,612	5,760	6,052	6,084	6,080	5,994	2.
7,492	7,388	7,288	7,172	7,335	6,880	6,948	6,880	6,888	6,899	3.
1,348	1,356	1,412	1,520	1,409	1,636	1,728	1,780	1,904	1,762	4.
3,052	3,112	3,136	3,112	3,103	2,860	2,896	2,832	2,664	2,813	5.
3,092	2,920	2,740	2,540	2,823	2,384	2,324	2,268	2,320	2,324	6.
400	364	60	-256	142	-780	-408	-48	-308	-386	7.
540	372	80	-20	243	-560	-368	8	56	-216	8.
-140	-8	-20	-236	-101	-220	-40	-56	-364	-170	9.
6,436	6,224	6,500	6,416	6,394	6,288	6,344	6,124	6,436	6,298	10.
-7,976	-7,900	-7,860	-7,448	-7,796	-7,216	-7,216	-7,296	-7,716	-7,361	11.
-12	-92	52	-144	-49	108	-44	8	36	27	12.
31,248	31,324	31,628	31,424	31,406	31,496	32,172	32,372	32,696	32,184	13.

1957				
I	II	III	IV	Year
808	808	808	808	808
-1,068	-1,000	-796	-932	-949
8	76	52	-180	-11
112	108	-84	68	51

1958				
I	II	III	IV	Year
848	852	852	852	851
-980	-960	-940	-1,084	-991
-36	128	32	-116	2
-52	-60	0	-16	-32



TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	14,060	14,572	14,956	15,288	14,719
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-472	-488	-496	-504	-490
3. Military Pay and Allowances .....	396	420	432	448	424
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,456	1,436	1,388	1,512	1,448
5. Net Income of Non-Farm Unincorporated Business .....	1,904	1,964	1,952	1,928	1,937
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	2,020	2,100	2,148	2,232	2,125
7. From Government (Excluding Interest) .....	1,760	1,760	1,772	1,768	1,765
8. Charitable Contributions by Corporations .....	32	28	28	32	30
9. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,656	1,716	1,752	1,756	1,720
2. Income Taxes .....	1,428	1,488	1,528	1,536	1,495
3. Succession Duties .....	148	148	144	144	146
4. Miscellaneous .....	80	80	80	76	79
5. Personal Expenditure on Consumer Goods and Services:	18,320	18,464	18,824	19,180	18,697
6. Non-Durable Goods .....	9,452	9,344	9,580	9,832	9,552
7. Durable Goods .....	2,328	2,452	2,420	2,424	2,406
8. Services <sup>1</sup> .....	6,540	6,668	6,824	6,924	6,739
9. Personal Net Saving: .....	1,180	1,612	1,604	1,768	1,541
10. PERSONAL INCOME .....	21,156	21,792	22,180	22,704	21,958
11. (Personal Disposable Income) <sup>2</sup> .....	(19,500)	(20,076)	(20,428)	(20,948)	(20,238)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
15,524	15,828	16,048	15,900	15,825	15,904	16,164	16,208	16,444	16,180	1.
-532	-532	-560	-564	-547	-572	-560	-564	-576	-568	2.
460	464	500	480	476	492	500	488	484	491	3.
1,068	940	1,032	856	974	1,160	1,292	1,304	1,068	1,206	4.
2,000	1,936	1,940	1,888	1,941	2,012	2,048	2,088	2,168	2,079	5.
2,268	2,340	2,392	2,432	2,358	2,440	2,512	2,608	2,592	2,538	6.
1,968	2,008	2,156	2,200	2,083	2,448	2,636	2,616	2,812	2,628	8.
32	32	32	32	32	28	28	32	40	32	9.
22,788	23,016	23,540	23,224	23,142	23,912	24,620	24,780	25,032	24,586	10.

INCOME, BY QUARTERS, 1956-1958  
AT ANNUAL RATES  
of dollars)

1957					1958					
I	II	III	IV	Year	I	II	III	IV	Year	
1,920	1,912	1,920	1,876	1,907	1,824	1,676	1,796	1,812	1,777	1.
1,692	1,692	1,696	1,680	1,690	1,604	1,460	1,568	1,584	1,554	2.
124	128	128	128	127	124	124	124	124	124	3.
104	92	96	68	90	96	92	104	104	99	4.
19,564	19,600	19,860	20,048	19,768	20,456	20,496	20,620	21,280	20,713	5.
9,892	10,004	10,012	10,176	10,021	10,400	10,408	10,396	10,644	10,462	6.
2,480	2,332	2,484	2,360	2,414	2,496	2,432	2,424	2,608	2,490	7.
7,192	7,264	7,364	7,512	7,333	7,560	7,656	7,800	8,028	7,761	8.
1,304	1,504	1,760	1,300	1,467	1,632	2,448	2,364	1,940	2,096	9.
22,788	23,016	23,540	23,224	23,142	23,912	24,620	24,780	25,032	24,586	10.
(20,868)	(21,104)	(21,620)	(21,348)	(21,235)	(22,088)	(22,944)	(22,984)	(23,220)	(22,809)	11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1956				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,576	3,900	3,782	4,257	15,516
2. Non-Durable Goods .....	1,952	2,049	2,078	2,465	8,544
3. Durable Goods .....	438	642	545	560	2,135
4. Services .....	1,186	1,209	1,160	1,232	4,787
5. Government Expenditure on Goods and Services .....	852	826	1,067	969	3,714
6. Business Gross Fixed Capital Formation .....	923	1,320	1,379	1,268	4,890
7. New Residential Construction .....	214	303	311	282	1,111
8. New Non-Residential Construction .....	301	439	565	509	1,814
9. New Machinery and Equipment .....	408	578	503	476	1,965
10. Change in Inventories .....	-28	-117	1,186	-290	751
11. Non-Farm Business Inventories .....	280	132	-24	65	453
12. Farm Inventories and Grain in Commercial Channels..	-308	-249	1,210	-355	298
13. Exports of Goods and Services .....	1,136	1,372	1,444	1,370	5,322
14. Deduct: Imports of Goods and Services .....	-1,447	-1,768	-1,654	-1,721	-6,590
15. Residual Error of Estimate .....	34	52	6	-101	-9
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,046	5,585	7,211	5,752	23,594

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

TABLE 10. NATIONAL SAVING ACCOUNT, 1956-1958  
SOURCE  
(millions of dollars)

	1956	1957	1958
1. Personal net saving .....	1,541	1,467	2,096
2. Business gross saving:			
(a) Undistributed corporation profits .....	1,012	803	767
(b) Capital consumption allowances and miscellaneous valuation adjustments .....	3,515	3,722	3,725
(c) Adjustment on grain transactions .....	20	-6	-4
3. Inventory valuation adjustment .....	-260	-60	-34
4. Government surplus (+) or deficit (-) .....	379	52	-1,046
5. Residual error of estimate .....	12	48	-27
6. Total .....	6,219	6,026	5,477



DOLLARS, BY QUARTERS, 1956-1958  
FOR SEASONALITY<sup>1,2</sup>  
of dollars)

1957					1958				
I	II	III	IV	Year	I	II	III	IV	Year
3,699	3,957	3,823	4,335	15,814	3,802	4,002	3,876	4,476	16,156
1,992	2,117	2,105	2,511	8,725	2,069	2,145	2,130	2,579	8,923
456	580	525	548	2,109	468	580	520	584	2,152
1,251	1,260	1,193	1,276	4,980	1,265	1,277	1,226	1,313	5,081
864	867	1,089	946	3,766	865	892	1,137	1,004	3,898
1,079	1,384	1,381	1,233	5,077	956	1,279	1,296	1,153	4,684
178	254	277	288	997	211	317	341	350	1,219
394	527	641	542	2,104	356	484	575	457	1,872
507	603	463	403	1,976	389	478	380	346	1,593
-42	-117	751	-499	93	-287	-348	808	-480	-307
252	70	-26	-74	222	72	-108	-34	-51	-121
-294	-187	777	-425	-129	-359	-240	842	-429	-186
1,170	1,297	1,476	1,412	5,355	1,180	1,384	1,412	1,443	5,419
-1,546	-1,776	-1,662	-1,574	-6,558	-1,356	-1,617	-1,549	-1,644	-6,166
48	37	-16	-106	-37	54	49	-21	-62	20
5,272	5,649	6,842	5,747	23,510	5,214	5,641	6,959	5,890	23,704

TABLE 11. NATIONAL SAVING ACCOUNT, 1956-1958  
DISPOSITION  
(millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Business gross fixed capital formation: <sup>1</sup>			
(a) New residential construction .....	1,526	1,409	1,762
(b) New non-residential construction .....	2,589	3,103	2,813
(c) New machinery and equipment .....	2,659	2,823	2,324
2. Value of physical change in inventories .....	815	142	-386
3. Surplus (+) or deficit (-) on current account with non-residents ..	-1,358	-1,402	-1,063
4. Residual error of estimate .....	-12	-49	27
5. Total .....	6,219	6,026	5,477

1. See Footnote 4, Table 2. For reconciliation with "private and public investment" figures published by the Department of Trade and Commerce, See Table 15.

TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1956-1958  
REVENUE  
 (millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Direct Taxes - Persons .....	1,720	1,907	1,777
2. Federal .....	1,550	1,722	1,580
3. Provincial .....	162	177	188
4. Municipal .....	8	8	9
5. Direct Taxes - Corporations .....	1,430	1,320	1,225
6. Federal .....	1,353	1,106	980
7. Provincial .....	77	214	245
Withholding Taxes:			
8. Federal .....	68	83	48
9. Indirect Taxes .....	3,722	3,910	3,957
10. Federal .....	1,972	1,990	1,912
11. Provincial .....	839	925	953
12. Municipal .....	911	995	1,092
13. Investment Income .....	819	824	920
14. Federal .....	315	268	294
15. Provincial .....	319	354	399
16. Municipal .....	185	202	227
17. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	490	547	568
18. Federal .....	347	376	378
19. Provincial .....	133	160	176
20. Municipal .....	10	11	14
21. Transfers from Other Levels of Government .....	842	950	1,190
22. Provinces - from Canada .....	472	504	636
23. - from Municipalities .....	21	20	22
24. Municipalities - from Canada .....	9	16	22
25. - from Provinces .....	340	410	510
26. Total Revenue .....	9,091	9,541	9,685
27. Federal .....	5,605	5,545	5,192
28. Provincial .....	2,023	2,354	2,619
29. Municipal .....	1,463	1,642	1,874

TABLE 13. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1956-1958

EXPENDITURE  
(millions of dollars)

	1956	1957	1958
1. Goods and Services .....	5,266	5,612	5,994
2. Federal <sup>1</sup> .....	2,671	2,722	2,831
3. Provincial .....	1,051	1,145	1,252
4. Municipal .....	1,544	1,745	1,911
5. Transfer Payments .....	2,483	2,819	3,415
6. Federal .....	1,740	1,970	2,440
7. Provincial .....	605	702	803
8. Municipal .....	138	147	172
9. Subsidies .....	121	108	132
10. Federal .....	118	106	128
11. Provincial .....	3	2	4
12. Transfers to Other Levels of Governments .....	842	950	1,190
13. Canada - to provinces .....	472	504	636
14. - to municipalities .....	9	16	22
15. Provinces - to municipalities .....	340	410	510
16. Municipalities - to provinces .....	21	20	22
17. Total expenditure .....	8,712	9,489	10,731
18. Federal .....	5,010	5,318	6,057
19. Provincial .....	1,999	2,259	2,569
20. Municipal .....	1,703	1,912	2,105
21. Deficit (-) or surplus (+) .....	379	52	-1,046
22. Federal <sup>2</sup> .....	595	227	-865
23. Provincial .....	24	95	50
24. Municipal .....	-240	-270	-231
25. Total Expenditure Minus Deficit (or Plus Surplus) .....	9,091	9,541	9,685
26. Federal .....	5,605	5,545	5,192
27. Provincial .....	2,023	2,354	2,619
28. Municipal .....	1,463	1,642	1,874

1. Defence expenditures included in these figures are as follows: 1956, \$1,800million; 1957, \$1,768 million; 1958, \$1,659 million.
2. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 14. BUSINESS GROSS FIXED CAPITAL FORMATION, BY INDUSTRY, 1956-1958<sup>1</sup>  
(millions of dollars)

	1956	1957	1958
1. Agriculture .....	488	434	469
2. Fishing and Trapping .....			
3. Forestry .....	76	48	33
4. Mining, Quarrying and Oil Wells .....	542	606	362
5. Manufacturing .....	1,394	1,479	1,082
6. Construction .....	200	158	133
7. Transportation .....			
8. Storage .....	717	1,032	926
9. Communication <sup>2</sup> .....	254	312	331
10. Electric Power, Gas, and Water Utilities <sup>3</sup> .....	786	959	873
11. Trade .....	325	370	345
12. Finance, Insurance and Real Estate <sup>4</sup> .....	1,650	1,545	1,941
13. Service <sup>5</sup> .....	342	392	404
14. Total .....	6,774	7,335	6,899

1. This table is derived from "Private and Public Investment in Canada, Outlook 1958 and 1959." Additional detail has been provided by the D.B.S. Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.
2. Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "government expenditure on goods and services".
3. Includes outlays for investment of grain elevators of \$14 million in 1956, \$10 million in 1957 and 1958. This industry is assigned to the storage group under the standard Industrial Classification.
4. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, line 6.
5. Excludes government departmental expenditures, federal hospital and school, and municipal school expenditures, which are included with "government expenditure on goods and services". Investment expenditures of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.



TABLE 15. BUSINESS GROSS FIXED CAPITAL FORMATION, 1956-1958  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	8,034	8,717	8,417
2. Deduct: New Residential Construction by Governments <sup>2,3</sup> .....	-21	-21	-19
3. Deduct: New Non-Residential Construction by Governments <sup>3</sup> ....	-1,127	-1,251	-1,361
4. Deduct: New Machinery and Equipment Outlays by Governments <sup>3</sup> ..	-102	-110	-138
5. Business Gross Fixed Capital Formation .....	6,774	7,335	6,899

- 
1. As presented in the publication "Private and Public Investment in Canada, Outlook, 1958 and 1959."
  2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal - provincial housing (Section 36, National Housing Act) which are included under line 5.
  3. Included in "government fixed capital formation", line 4, Table 2.

TABLE 16. EXPORTS AND IMPORTS OF GOODS AND SERVICES, 1956-1958<sup>1</sup>  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>
Exports of Goods and Services:			
1. Merchandise Exports .....	4,837	4,909	4,890
2. Gold Production Available for Export .....	150	147	160
3. Interest and Dividends Received from Non-Residents .....	142	149	161
4. Other Receipts from Services Rendered to Non-Residents .....	1,325	1,313	1,169
5. Subtotal: "Current Receipts" as per Canadian Balance of International Payments .....	6,464	6,518	6,380
6. Inheritances and Immigrants' Funds .....	-99	-124	-91
7. Other Adjustments .....	-26	-	9
8. Total "Exports of Goods and Services" as per National Accounts <sup>2</sup> .	6,239	6,394	6,298
Imports of Goods and Services:			
9. Merchandise Imports .....	5,565	5,488	5,064
10. Interest and Dividends Paid to Non-Residents .....	523	593	594
11. Other Payments for Services Rendered by Non-Residents .....	1,742	1,837	1,834
12. Subtotal: "Current Payments" as per Canadian Balance of International Payments .....	7,830	7,918	7,492
13. Inheritances and Emigrants Funds .....	-115	-122	-131
14. Other Adjustments .....	-18	-	-
15. Total "Imports of Goods and Services" as per National Accounts <sup>2</sup> .	7,697	7,796	7,361

- 
1. Data sources are reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics) and other information received from the Balance of Payments Section. Figures exclude mutual aid to NATO countries.

2. See also Table 2.

CATALOGUE No

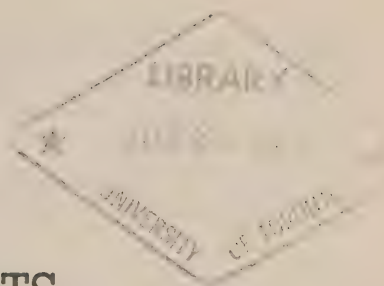
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CANADA



NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
FIRST QUARTER  
1959

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The Honourable Gordon Churchill, Minister of Trade and Commerce

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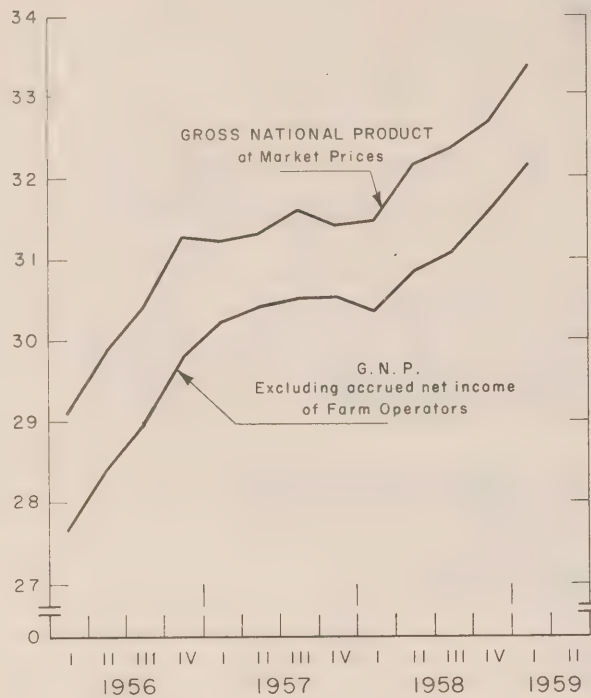
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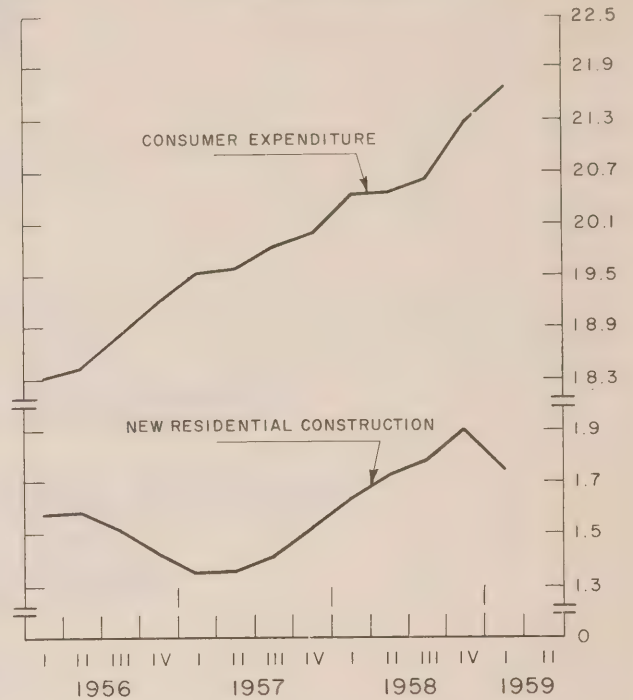
GROSS NATIONAL PRODUCT ROSE BY 2 PER CENT IN THE FIRST QUARTER.

BILLIONS OF DOLLARS



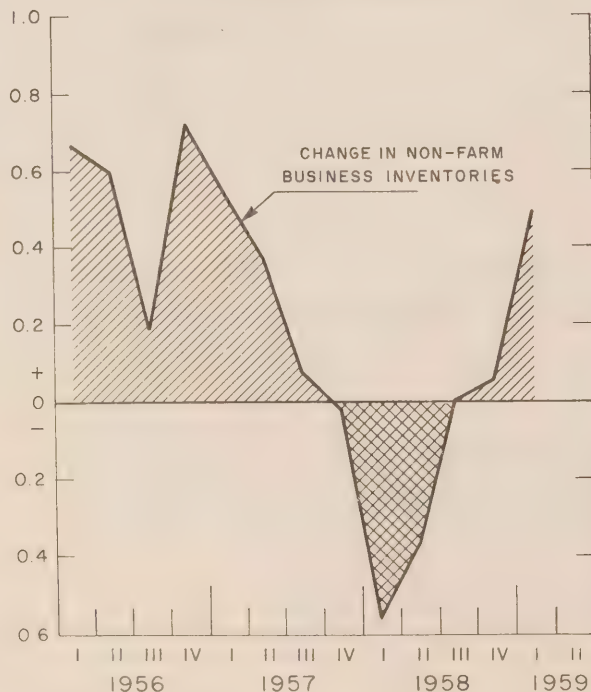
CONSUMER EXPENDITURES SHOWED A FURTHER MARKED RISE IN THE QUARTER, BUT OUTLAYS FOR NEW HOUSING WERE LOWER.

BILLIONS OF DOLLARS



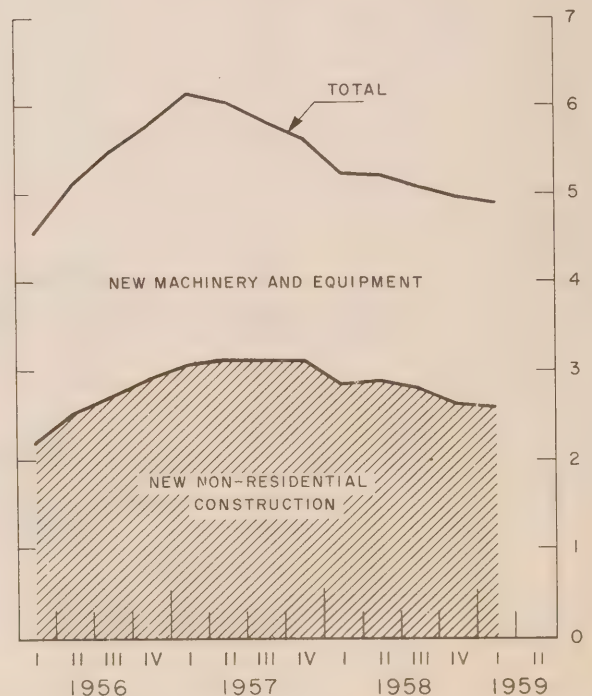
STOCK-PILING OF BUSINESS INVENTORIES BECAME AN IMPORTANT ELEMENT OF DEMAND DURING THE QUARTER.

BILLIONS OF DOLLARS



BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT SHOWED A FURTHER SMALL DECLINE.

BILLIONS OF DOLLARS



(DATA IN CHARTS 1,2,3 AND 4 AT SEASONALLY ADJUSTED ANNUAL RATES)



## INTRODUCTORY REVIEW

The recovery from the 1957-1958 recession which began to gain momentum in the latter part of 1958, lifted the Gross National Product (seasonally adjusted at annual rates) to a level of \$33.4 billion in the first quarter of 1959. This latest advance represents a gain of 2 per cent over the fourth quarter of the previous year. At annual rates, the Gross National Product in the first quarter was running at a level about 4 per cent above the average for the year 1958 as a whole. <sup>1/</sup>

The quarterly national income statistics at the present time do not permit precise comparisons of changes in the physical volume of the nation's output on a seasonally adjusted basis. However, it is clear from related information that the volume of non-agricultural output in the fourth quarter of 1958 had recovered to a point a little above the pre-recession peak; and with prices relatively stable, the 1959 first quarter advance represents, for the most part, a further volume gain above this previous high point.

Business inventory accumulation and consumer expenditure were the two major expansionary elements in the economy during the first quarter. The resumption of stockbuilding on a large scale was one of the notable developments of the quarter and followed a period during which heavy inventory liquidation had gradually given way to a more neutral position, with little change occurring in either direction. Consumer expenditure, which had shown some hesitation during part of 1958, rose further in the first quarter, continuing the advance which occurred in the final quarter of the preceding year.

Other major components of demand, seasonally adjusted, showed little change or were lower during the quarter. Outlays for new housing turned down, following eighteen months of continued advance. Both starts and completions were off in the quarter, reflecting a number of factors, among which were the severe winter weather, and the curtailment of Central Mortgage and Housing Corporation loans to builders at the end of 1958. Business plant and equipment expenditures were also lower than in the preceding quarter, but the decline here was very slight, amounting to only about 1 per cent. Exports of goods and services showed a small decline in the quarter following the fairly sharp rise which occurred in the final quarter of 1958. Imports of goods and services showed little change.

The movements in these categories of gross national expenditure, seasonally adjusted, from the fourth to first quarter are shown in the following table.

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<sup>1/</sup> A small part of these changes (about \$50 million) represents a higher estimate of crop production in 1959, based on a calculation involving acreage intentions and ten-year average yields (see Footnote 3, Table 6).

Changes in Components of Gross National Expenditure  
4th Quarter 1958 to 1st Quarter 1959  
 (seasonally adjusted at annual rates)

	<u>Change in</u> <u>\$ million</u>	<u>Per Cent</u> <u>Change</u>
Personal Expenditure.....	+416	+2.0
Government Expenditure.....	-56	-0.9
Residential Construction.....	-160	-8.4
Non-Residential Construction.....	-36	-1.4
Machinery and Equipment.....	-32	-1.4
Inventories.....	+684	n.a.
(Business only).....	(+432)	n.a.
Exports.....	-156	-2.4
Imports.....	-(+52)	+0.7
Error.....	+84	n.a.
	<hr/>	<hr/>
Gross National Product	+692	+2.1
	<hr/>	<hr/>

Turning to developments on the income side, both national and personal income, seasonally adjusted, advanced by between 2 and 3 per cent from the fourth to the first quarter. A notable increase occurred in the labour income component of these two aggregates, which showed an advance of 3.5 per cent, the largest increase since early in 1956. This increase in labour income reflected the combined effect of significantly higher levels of employment and a continued advance in average weekly earnings. Transfer payments to persons, an important component of personal income, declined by 5 per cent in the quarter, reflecting for the most part a drop in Unemployment Insurance payments.

Over the course of the past twelve months there has been a marked change in the composition of personal income as between the proportion derived from productive activity, notably wages and salaries, and the proportion arising through transfer payments from government. From the first quarter of 1957 to the first quarter of 1958, transfer payments accounted for more than 42 per cent of the rise in total personal income. However, between the first quarter of 1958 and the first quarter of 1959, transfer payments accounted for only 13 per cent of the rise in total personal income, with the remainder of the increase coming from gains in those income components which are linked directly to productive activity. The decline, seasonally adjusted, in transfer payments in the first quarter is the first significant drop in this component since the 1957-1958 recession began, while the gain in labour income is one of the largest in several years.



Changes in Personal Income  
(seasonally adjusted at annual rates)

	<u>1Q '57 to 1Q '58</u> ( \$ billion )	<u>1Q '58 to 1Q '59</u> ( \$ billion )
Income from Productive Activity <sup>1</sup> .....	+0.6	+1.6
Transfer Payments from Government.....	+0.5	+0.2
	<hr/>	<hr/>
Total Personal Income.....	+1.1	+1.8
	<hr/>	<hr/>

1. Income from productive activity in the sense employed here consists of national income, less transfer payments from government, less earnings not paid out to persons. Interest on the public debt paid to persons is included here, though this item is normally treated as a transfer payment in national income accounting.

Corporation profits in the first quarter showed little change from the very high level attained in the fourth quarter of 1958. Preliminary calculations published at the time of the fourth quarter report, based on incomplete evidence, had suggested an increase in profits between the third and fourth quarters amounting to about 8 per cent. Since that time final tabulations have shown that the fourth quarter rise in profits was very much sharper than originally estimated and was, in fact, of the order of 20 per cent, the largest quarterly increase since the third quarter of 1950. It should be noted that the fourth quarter marks the end of the accounting year for many business firms, and is a period in which substantial year-end adjustments may be made. The large fourth quarter increase may reflect, to some extent, the effect of year-end adjustments, though there can be little doubt that it also reflected the gathering strength of recovery in the closing months of the year. The relative stability in the corporate profits figure (seasonally adjusted) between the fourth quarter of 1958 and the first quarter of 1959 should be viewed in the light of the extremely high level of profits reported in the final quarter of the year. 1/

Production and Employment

The advance in the physical volume of production in the first quarter originated mainly in mining and in the durable goods sector of manufacturing, but support continued to come from the service-producing industries. However, output in the construction industry declined in line with the drop in outlays for new housing and the small decline in non-residential building.

The most conspicuous increase occurred in the mining industry, where production rose about 11 per cent on a seasonally adjusted basis. Part of this sharp increase is attributable to the settlement of an industrial dispute in the non-

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1/ The figures published in the present report do not take account of the upward revision of fourth quarter corporation profits. This revision will be incorporated with revisions to all other components of the National Accounts later this year. In the seasonally adjusted data, the unrevised fourth quarter profits figure has been carried forward into the first quarter on the basis of the percentage change indicated by the latest tabulations (see Footnote 4, Table 5).



ferrous metals industry, but an improvement in markets for some mineral products, notably iron ore, was an important factor.

In durable manufacturing, the termination of a work stoppage in the iron and steel industry helped to raise the level of output nearly 5 per cent over the fourth quarter of 1958. Within durable manufacturing the increases were mainly in non-ferrous metals, iron and steel and electrical apparatus and supplies, but there was also some gain in non-metallic minerals and wood products. Production of transportation equipment was down slightly reflecting the cancellation of contracts for aircraft, which was not fully offset by higher production in the automotive industries. In non-durable manufacturing trends were mixed and largely offsetting, with significant gains in rubber products and products of petroleum and coal, and small losses in such industries as foods and beverages, paper products, printing and publishing, and chemicals. With little change in output of non-durables, manufacturing production as a whole was 2 per cent higher than in the fourth quarter, on a seasonally adjusted basis.

It is interesting to note that the index of industrial production, which includes electricity and gas, in addition to mining and manufacturing, had returned to its pre-recession peak by the first quarter of this year; mining production was well ahead of the peak while manufacturing production had still not reached that level.

A notable gain in output among the service industries in the first quarter was in transportation, communication and storage, reversing the previous down-trend associated with the drop in activity in the goods-handling industries. Substantial increases were also recorded by the trade industries and by government and other service groups.

Accompanying these gains in production, non-agricultural employment, seasonally adjusted, was significantly higher in the first quarter. The number of persons with jobs in the non-farm sector rose by 2 per cent, while persons without jobs and seeking work showed a sharp decline. A substantial reduction in the numbers temporarily laid off or on short-time is additional evidence of the improvement in the labour market.

#### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services, seasonally adjusted, continued to rise in the first quarter of 1959, but not at the same high rate as in the preceding quarter. The gain amounted to 2 per cent, compared with 3 per cent in the last quarter of 1958. Since consumer prices remained unchanged, the first quarter advance represents an equivalent rise in real consumption.

As in the preceding quarter, the rate of increase in outlays for durable goods was relatively large, being 4 1/2 per cent. Most of this gain is attributable to purchases of automobiles, which were up nearly 8 per cent, but purchases of radios and appliances were also appreciably higher. Purchases of furniture declined.

Personal expenditure on non-durable goods is estimated to have risen one per cent in the first quarter. Most categories of non-durable goods showed gains, with the exception of alcoholic beverages, footwear, gasoline, oil and grease, and household supplies; purchases of food, the most important item in the total, were only fractionally higher. It may be noted that the advance in expenditure on non-durables in the quarter under review compares with virtually unchanged expenditure in the two middle quarters of 1958.

Consumer expenditure on services continued to rise in the first quarter and was somewhat more than 2 per cent higher than in the preceding quarter. Nearly all categories of services shared in the increase, with sizable gains in purchased transportation and household operations.

The rise in total personal expenditures in the first quarter failed to keep pace with the rise in disposable personal income. Thus the high rate of personal saving characteristic of the past year continued to be evident in the opening months of 1959. In this connection, it should be mentioned that consumer credit on the books of instalment finance companies, after having remained stable for some time, seasonal factors apart, began to rise in the first quarter.

### Change in Business Inventories

Business inventory accumulation gathered momentum in the first quarter; seasonally adjusted, the level of stocks rose by almost \$500 million at annual rates. Re-stocking on this scale had not taken place since the first half of 1957, and followed a fourth quarter in which the overall change in inventory holdings was small. The resumption of stock-building on a large scale was thus a major contributing factor to the rise in production during the quarter. The estimates indicate that the build-up was in progress on a broad front, with a heavy concentration in trade inventories. In spite of the stepped-up rate of business inventory accumulation, there is evidence that in both manufacturing and wholesale trade, stock-sales ratios were lower at the end of March than at the same period in 1958; however, stock-sales ratios in retail trade had edged higher. Related material indicates that the gains recorded represented, for the most part, a real increase in the volume of inventory holdings, price increases being slight.

Manufacturers' stocks increased by \$60 million during the quarter, representing a turnaround of \$132 million from the fourth quarter liquidation of \$72 million. The quarter-end figures reveal that the accumulation was spread through all stages of fabrication. Modest increases in stocks were generally registered in the durable goods industries, while in non-durables the movements were sharper but offsetting. In the iron and steel products industry inventory holdings were increased by almost \$50 million at seasonally adjusted annual rates, but this would not appear to be more than was necessary to maintain stocks approximately in line with expanded shipments. The drawing down of stocks continued in the paper products industry, but an equivalent build-up occurred in products of petroleum and coal.

The overall build-up of stocks in retail trade was continued in the first quarter but the rate of accumulation was considerably accelerated and the movement more widespread. In total, retailers' holdings increased by \$300 million, or approximately 60 per cent of the total business inventory estimate. The accumulation was concentrated to a considerable extent in the hands of motor vehicle dealers and food retailers, although as previously noted the increases were general.

Wholesalers stocks rose more moderately, with an estimated increase of \$60 million. The modest accumulation of stocks at this level was associated with a more than seasonal fourth to first quarter increase in wholesale sales.

Additions to stocks in other industrial groups represented almost 15 per cent of the total business inventory accumulation, and were fairly general.



## Exports and Imports of Goods and Services

On a seasonally adjusted basis, exports of goods and services declined moderately between the last quarter of 1958 and the first quarter of 1959. Imports of goods and services rose slightly in the same period, with the result that there was some widening of the deficit on international current account.

The decline in exports of goods and services, seasonally adjusted, in the first quarter was most pronounced in the service items, which were off by about 5 per cent. The drop reflected for the most part a decline in interest and dividend receipts. Merchandise exports were down about 2 per cent, the sharpest losses being in animal products, wood and wood products and miscellaneous commodities, with partially offsetting gains in iron ore and non-metallic mineral products. Merchandise imports as a whole were slightly higher, in spite of an appreciable drop in imports of agricultural products and in iron and its products. Payments for services were much the same from quarter to quarter since changes among the various service items were for the most part offsetting.

By comparison with the same period a year ago, merchandise exports in the first quarter of 1959 continued to show large changes among the components within a fairly stable total. The most pronounced gains were in exports of uranium ores, wood pulp and planks and boards and the most pronounced losses in newsprint, nickel, copper and products, and cattle. In the same comparison, merchandise imports rose 9 per cent, with gains in most of the main commodity groups. The most prominent increases were in automobiles and parts, farm implements, some chemicals, and rubber. The deficit on merchandise items was trebled. Payments for invisibles rose more than receipts, continuing a well-established trend. This widening gap reflects the rising outflow of interest, dividends and other payments associated with borrowing abroad and the larger expenditures for travel associated with the growth of population and income. The current account deficit of \$433 million on goods and services (National Accounts basis) in the first quarter of 1959 compares with one of \$271 million in the same period a year earlier.

## Labour Income

Reflecting the improvement in employment and the further advance of average earnings, labour income rose to a seasonally adjusted annual rate of \$17.0 billion in the first quarter of 1959. This 3.5 per cent increase, the largest quarterly advance in several years, is attributable to some special factors as well as to the progress of recovery.

By industry, two of the highest rates of increase occurred in mining, where the settlement of an industrial dispute was an important element, and in transportation, communication and storage, where there was a retroactive wage payment to non-operating railway employees. In these two industries, the increases in labour income were 7 1/2 and 5 per cent respectively. In most other industries, increases were of the order of 2 to 4 per cent, except in forestry, where labour income was unchanged. Labour income in manufacturing rose 3 per cent.





TABLE 1. NATIONAL INCOME AND  
(millions)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,731	3,955	4,136	4,003	15,825
2. Military Pay and Allowances .....	108	116	131	121	476
3. Corporation Profits before Taxes <sup>1</sup> .....	566	728	687	524	2,505
4. Rent, Interest and Miscellaneous Investment Income ..	521	515	569	574	2,179
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	9	58	828	73	968
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	406	511	505	519	1,941
7. Inventory Valuation Adjustment <sup>4</sup> .....	-29	-30	-7	6	-60
8. NET NATIONAL INCOME AT FACTOR COST .....	5,312	5,853	6,849	5,820	23,834
9. Indirect Taxes less Subsidies .....	955	948	963	936	3,802
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	897	946	938	941	3,722
11. Residual Error of Estimate .....	-64	-48	21	139	48
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,100	7,699	8,771	7,836	31,406
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,091)	(7,641)	(7,943)	(7,763)	(30,438)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,601	4,928	4,810	5,429	19,768
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,265	1,294	1,620	1,433	5,612
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,544	1,992	2,001	1,798	7,335
4. New Residential Construction .....	248	359	393	409	1,409
5. New Non-Residential Construction .....	579	775	946	803	3,103
6. New Machinery and Equipment .....	717	858	662	586	2,823
7. Value of Physical Change in Inventories <sup>3</sup> .....	51	-24	559	-444	142
8. Non-Farm Business Inventories .....	304	80	-38	-103	243
9. Farm Inventories and Grain in Commercial Channels..	-253	-104	597	-341	-101
10. Exports of Goods and Services .....	1,412	1,579	1,767	1,636	6,394
11. Deduct: Imports of Goods and Services .....	-1,837	-2,119	-1,964	-1,876	-7,796
12. Residual Error of Estimate .....	64	49	-22	-140	-49
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,100	7,699	8,771	7,836	31,406

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

4. Includes defence expenditures of:

1957				
I	II	III	IV	Year
509	386	442	431	1,768

1958				
I	II	III	IV	Year
470	377	404	408	1,659

1959	
I	
457	

GROSS NATIONAL PRODUCT, BY QUARTERS, 1957-1959  
of dollars)

1958				1959	
I	II	III	IV	Year	I
3,828	4,043	4,173	4,136	16,180	4,098
117	126	125	123	491	118
470	649	680	570 <sup>5</sup>	2,369	578
526	531	629	688	2,374	636
15	127	920	140	1,202	31
420	536	553	570	2,079	438
-15	3	10	-32	-34	-37
5,361	6,015	7,090	6,195	24,661	5,862
937	955	961	972	3,825	970
917	940	928	940	3,725	929
-72	-66	28	83	-27	-133
7,143	7,844	9,007	8,190	32,184	7,628
(7,128)	(7,717)	(8,087)	(8,050)	(30,982)	(7,597)

5. The fourth quarter profits figure shown here has not been revised in line with the latest tabulations. Revised data not yet incorporated in the Accounts indicate that the level of profits (after dividends paid abroad) in the fourth quarter amounted to \$670 million.

EXPENDITURE, BY QUARTERS, 1957-1959  
of dollars)

1958				1959	
I	II	III	IV	Year	I
4,855	5,135	4,989	5,734	20,713	5,177
1,327	1,381	1,731	1,555	5,994	1,387
1,405	1,874	1,907	1,713	6,899	1,321
301	457	494	510	1,762	308
535	724	861	693	2,813	483
569	693	552	510	2,324	530
-245	-288	587	-440	-386	43
68	-155	-75	-54	-216	343
-313	-133	662	-386	-170	-300
1,378	1,607	1,654	1,659	6,298	1,341
-1,649	-1,932	-1,832	-1,948	-7,361	-1,774
72	67	-29	-83	27	133
7,143	7,844	9,007	8,190	32,184	7,628



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries and Supplementary Labour Income .....	3,731	3,955	4,136	4,003	15,825
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-133	-132	-141	-141	-547
3. Military Pay and Allowances .....	108	116	131	121	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	28	79	810	57	974
5. Net Income of Non-Farm Unincorporated Business .....	406	511	505	519	1,941
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup>	532	600	592	634	2,358
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	594	471	491	527	2,083
8. Charitable Contributions by Corporations .....	7	9	9	7	32
9. PERSONAL INCOME .....	5,273	5,609	6,533	5,727	23,142

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	466	497	472	472	1,907
2. Income Taxes .....	393	444	424	429	1,690
3. Succession Duties .....	31	32	32	32	127
4. Miscellaneous .....	42	21	16	11	90
5. Personal Expenditure on Consumer Goods and Services:	4,601	4,928	4,810	5,429	19,768
6. Non-Durable Goods .....	2,272	2,417	2,436	2,896	10,021
7. Durable Goods .....	522	672	598	622	2,414
8. Services <sup>1</sup> .....	1,807	1,839	1,776	1,911	7,333
9. Personal Net Saving: .....	206	184	1,251	-174	1,467
10. Personal Saving Excluding Change in Farm Inventories .....	452	303	667	197	1,619
11. Value of Physical Change in Farm Inventories .....	-246	-119	584	-371	-152
12. PERSONAL INCOME .....	5,273	5,609	6,533	5,727	23,142
13. (Personal Disposable Income) <sup>2</sup> .....	(4,807)	(5,112)	(6,061)	(5,255)	(21,235)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1957-1959  
of dollars)

1958				1959	
I	II	III	IV	Year	I
3,828	4,043	4,173	4,136	16,180	4,098
-143	-137	-143	-145	-568	-159
117	126	125	123	491	118
36	134	911	125	1,206	50
420	536	553	570	2,079	438
565	636	649	688	2,538	651
757	630	591	650	2,628	818
6	8	9	9	32	7
5,586	5,976	6,868	6,156	24,586	6,021

INCOME, BY QUARTERS, 1957-1959  
of dollars)

1958				1959	
I	II	III	IV	Year	I
456	430	437	454	1,777	478
381	376	392	405	1,554	377
33	32	27	32	124	35
42	22	18	17	99	66
4,855	5,135	4,989	5,734	20,713	5,177
2,413	2,527	2,506	3,016	10,462	2,522
541	674	593	682	2,490	586
1,901	1,934	1,890	2,036	7,761	2,069
275	411	1,442	-32	2,096	366
543	519	814	358	2,234	643
-268	-108	628	-390	-138	-277
5,586	5,976	6,868	6,156	24,586	6,021
(5,130)	(5,546)	(6,431)	(5,702)	(22,809)	(5,543)

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income ....	15,524	15,828	16,048	15,900	15,825
2. Military Pay and Allowances .....	460	464	500	480	476
3. Corporation Profits before Taxes <sup>1</sup> .....	2,664	2,548	2,420	2,388	2,505
4. Rent, Interest and Miscellaneous Investment Income..	2,132	2,152	2,180	2,252	2,179
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	996	904	1,092	880	968
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ....	2,000	1,936	1,940	1,888	1,941
7. Inventory Valuation Adjustment .....	-116	-120	-28	24	-60
8. NET NATIONAL INCOME AT FACTOR COST .....	23,660	23,712	24,152	23,812	23,834
9. Indirect Taxes less Subsidies .....	3,824	3,788	3,836	3,760	3,802
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,752	3,732	3,696	3,708	3,722
11. Residual Error of Estimate .....	12	92	-56	144	48
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	31,248	31,324	31,628	31,424	31,406
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,252)	(30,420)	(30,536)	(30,544)	(30,438)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services.	19,564	19,600	19,860	20,048	19,768
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,344	5,740	5,728	5,636	5,612
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	7,492	7,388	7,288	7,172	7,335
4. New Residential Construction .....	1,348	1,356	1,412	1,520	1,409
5. New Non-Residential Construction .....	3,052	3,112	3,136	3,112	3,103
6. New Machinery and Equipment .....	3,092	2,920	2,740	2,540	2,823
7. Value of Physical Change in Inventories .....	400	364	60	-256	142
8. Non-Farm Business Inventories .....	540	372	80	-20	243
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup>	-140	-8	-20	-236	-101
10. Exports of Goods and Services .....	6,436	6,224	6,500	6,416	6,394
11. Deduct: Imports of Goods and Services .....	-7,976	-7,900	-7,860	-7,448	-7,796
12. Residual Error of Estimate .....	-12	-92	52	-144	-49
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	31,248	31,324	31,628	31,424	31,406

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

### 3. Detail: Farm Inventories -

	1957				
	I	II	III	IV	Year
Value of grain crop production .....	808	808	808	808	808
Depletions of farm stocks of grain ...	-1,068	-1,000	-796	-932	-949
Change in livestock inventories .....	8	76	52	-180	-11
Grain in Commercial Channels .....	112	108	-84	68	51

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.



NATIONAL PRODUCT, BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958				1959	
I	II	III	IV	Year	I
15,904	16,164	16,208	16,444	16,180	17,016
492	500	488	484	491	496
2,284	2,280	2,360	2,552 <sup>4</sup>	2,369	2,500 <sup>4</sup>
2,204	2,288	2,440	2,564	2,374	2,600
1,132	1,308	1,284	1,084	1,202	1,232
2,012	2,048	2,088	2,168	2,079	2,088
-60	12	40	-128	-34	-148
23,968	24,600	24,908	25,168	24,661	25,784
3,796	3,816	3,808	3,880	3,825	3,960
3,836	3,712	3,664	3,688	3,725	3,760
-104	44	-8	-40	-27	-116
31,496	32,172	32,372	32,696	32,184	33,388
(30,364)	(30,864)	(31,088)	(31,612)	(30,982)	(32,156)

4. The fourth quarter profits figure shown here has not been revised in line with the latest tabulations. Revised data not yet incorporated in the Accounts indicate that the level of profits (after dividends paid abroad) in the fourth quarter amounted to \$2904 million (seasonally adjusted at annual rates), and the comparable first quarter figures, to \$2844 million. (See also Footnote 1 on page 3 of text).

BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958				1959	
I	II	III	IV	Year	I
20,456	20,496	20,620	21,280	20,713	21,696
5,760	6,052	6,084	6,080	5,994	6,024
6,880	6,948	6,880	6,888	6,899	6,660
1,636	1,728	1,780	1,904	1,762	1,744
2,860	2,896	2,832	2,664	2,813	2,628
2,384	2,324	2,268	2,320	2,324	2,288
-780	-408	-48	-308	-386	376
-560	-368	8	56	-216	488
-220	-40	-56	-364	-170	-112
6,288	6,344	6,124	6,436	6,298	6,280
-7,216	-7,216	-7,296	-7,716	-7,361	-7,768
108	-44	8	36	27	120
31,496	32,172	32,372	32,696	32,184	33,388

1958				
I	II	III	IV	Year
848	852	852	852	851
-980	-960	-940	-1,084	-991
-36	128	32	-116	2
-52	-60	0	-16	-32

1959
I
896
-1,080
52
20

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Wages, Salaries and Supplementary Labour Income .....	15,524	15,828	16,048	15,900	15,825
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-532	-532	-560	-564	-547
3. Military Pay and Allowances .....	460	464	500	480	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,068	940	1,032	856	974
5. Net Income of Non-Farm Unincorporated Business .....	2,000	1,936	1,940	1,888	1,941
6. Interest, Dividends and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	2,268	2,340	2,392	2,432	2,358
7. From Government (Excluding Interest) .....	1,968	2,008	2,156	2,200	2,083
8. Charitable Contributions by Corporations .....	32	32	32	32	32
9. PERSONAL INCOME .....	22,788	23,016	23,540	23,224	23,142

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Personal Direct Taxes: .....	1,920	1,912	1,920	1,876	1,907
2. Income Taxes .....	1,692	1,692	1,696	1,680	1,690
3. Succession Duties .....	124	128	128	128	127
4. Miscellaneous .....	104	92	96	68	90
5. Personal Expenditure on Consumer Goods and Services:	19,564	19,600	19,860	20,048	19,768
6. Non-Durable Goods .....	9,892	10,004	10,012	10,176	10,021
7. Durable Goods .....	2,480	2,332	2,484	2,360	2,414
8. Services <sup>1</sup> .....	7,192	7,264	7,364	7,512	7,333
9. Personal Net Saving: .....	1,304	1,504	1,760	1,300	1,467
10. PERSONAL INCOME .....	22,788	23,016	23,540	23,224	23,142
11. (Personal Disposable Income) <sup>2</sup> .....	(20,868)	(21,104)	(21,620)	(21,348)	(21,235)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958				1959	
I	II	III	IV	Year	I
15,904	16,164	16,208	16,444	16,180	17,016 1.
-572	-560	-564	-576	-568	-624 2.
492	500	488	484	491	496 3.
1,160	1,292	1,304	1,068	1,206	1,240 4.
2,012	2,048	2,088	2,168	2,079	2,088 5.
2,440	2,512	2,608	2,592	2,538	2,756 6.
2,448	2,636	2,616	2,812	2,628	2,680 7.
28	28	32	40	32	32 8.
23,912	24,620	24,780	25,032	24,586	25,684 9.

INCOME, BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958				1959	
I	II	III	IV	Year	I
1,824	1,676	1,796	1,812	1,777	1,912 1.
1,604	1,460	1,568	1,584	1,554	1,624 2.
124	124	124	124	124	140 3.
96	92	104	104	99	148 4.
20,456	20,496	20,620	21,280	20,713	21,696 5.
10,400	10,408	10,396	10,644	10,462	10,752 6.
2,496	2,432	2,424	2,608	2,490	2,732 7.
7,560	7,656	7,800	8,028	7,761	8,212 8.
1,632	2,448	2,364	1,940	2,096	2,076 9.
23,912	24,620	24,780	25,032	24,586	25,684 10.
(22,088)	(22,944)	(22,984)	(23,220)	(22,809)	(23,772) 11.



TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,699	3,957	3,823	4,335	15,814
2. Non-Durable Goods .....	1,992	2,117	2,105	2,511	8,725
3. Durable Goods .....	456	580	525	548	2,109
4. Services .....	1,251	1,260	1,193	1,276	4,980
5. Government Expenditure on Goods and Services .....	864	867	1,089	946	3,766
6. Business Gross Fixed Capital Formation .....	1,079	1,384	1,381	1,233	5,077
7. New Residential Construction .....	178	254	277	288	997
8. New Non-Residential Construction .....	394	527	641	542	2,104
9. New Machinery and Equipment .....	507	603	463	403	1,976
10. Change in Inventories .....	-42	-117	751	-499	93
11. Non-Farm Business Inventories .....	252	70	-26	-74	222
12. Farm Inventories and Grain in Commercial Channels..	-294	-187	777	-425	-129
13. Exports of Goods and Services .....	1,170	1,297	1,476	1,412	5,355
14. Deduct: Imports of Goods and Services .....	-1,546	-1,776	-1,662	-1,574	-6,558
15. Residual Error of Estimate .....	48	37	-16	-106	-37
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)					
DOLLARS .....	5,272	5,649	6,842	5,747	23,510

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.







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NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
SECOND QUARTER  
1959

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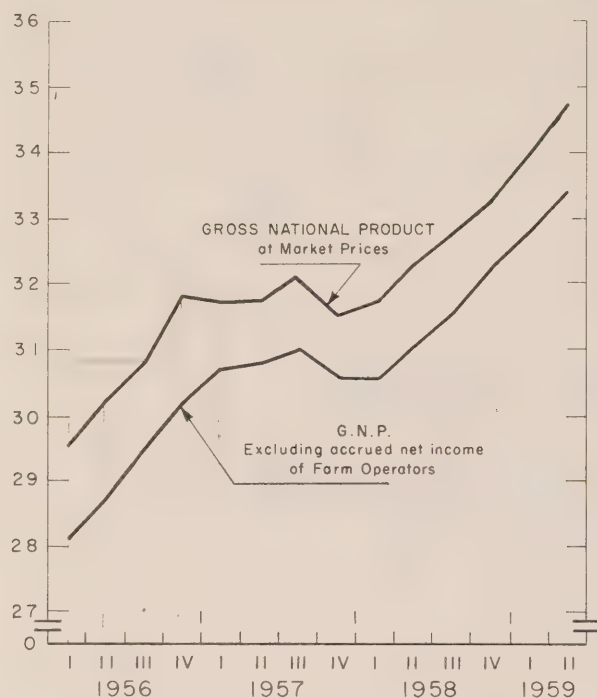
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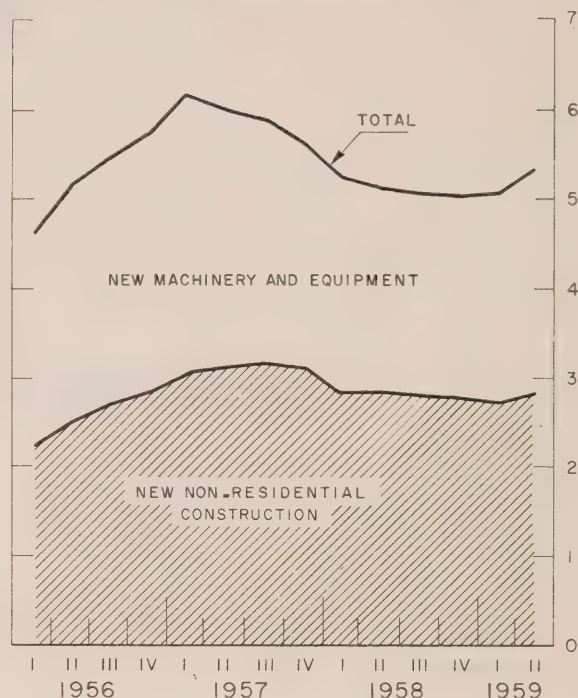
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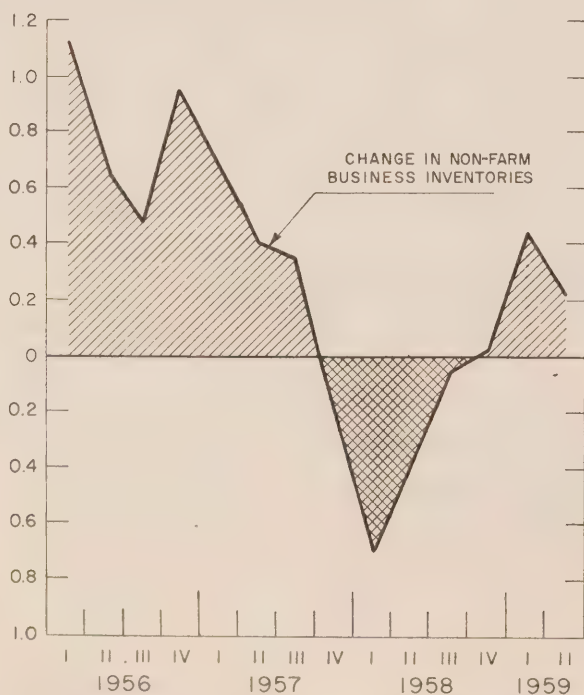
GROSS NATIONAL PRODUCT SHOWED A FURTHER  
SUBSTANTIAL GAIN IN THE SECOND QUARTER  
BILLIONS OF DOLLARS



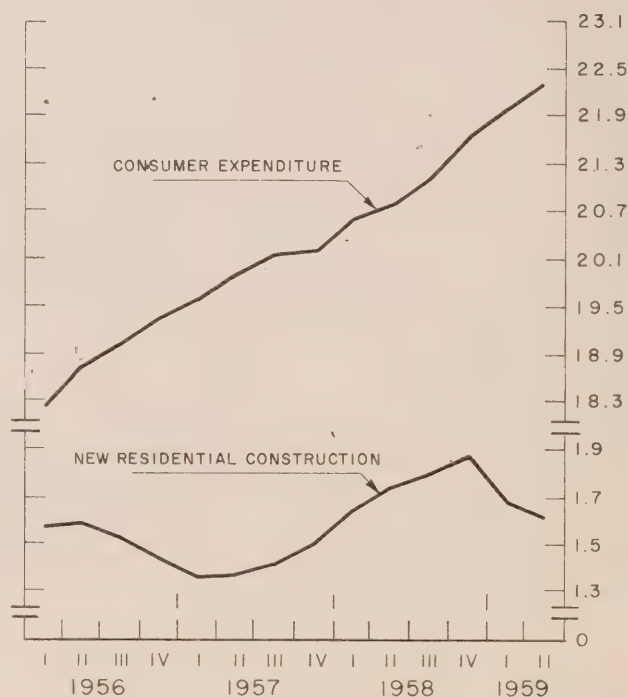
BUSINESS OUTLAYS FOR PLANT AND  
EQUIPMENT TURNED UPWARD AFTER  
AN EXTENDED PERIOD OF DECLINE  
BILLIONS OF DOLLARS



STOCK—PILING OF BUSINESS INVENTORIES  
CONTINUED, BUT AT A REDUCED RATE  
BILLIONS OF DOLLARS



CONSUMER EXPENDITURES SHOWED A SMALL  
ADVANCE, BUT OUTLAYS FOR NEW HOUSING  
CONTINUED TO DECLINE  
BILLIONS OF DOLLARS



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

### INTRODUCTORY REVIEW

(This report incorporates revisions to quarterly data for the years 1955-1958, in line with the annual revisions published earlier in "National Accounts, Income and Expenditure, 1958").

Gross National Product continued to advance in the second quarter of 1959, and was at a seasonally adjusted annual rate of \$34.7 billion, a gain of 2 per cent over the level of the first quarter. This most recent advance continues the upswing which was showing increasing vigour in the closing months of 1958, and has brought the Gross National Product in the second quarter of this year to a level some 7 per cent above the same quarter one year earlier. As in the preceding quarter, the second quarter gain in Gross National Product was represented largely by an increase in the physical volume of goods and services produced; however, final product prices were fractionally higher during the quarter.

Business outlays for new plant and equipment made an important contribution to the rise in Gross National Product during the second quarter. Both non-residential construction and investment in new machinery and equipment rose above the first quarter by 5 per cent, on a seasonally adjusted basis. This was the first significant increase in business capital expenditures since the two-year decline which began in the early part of 1957. (See chart at left.) The reversal in trend in this important component of final demand represents a new expansionary element in the current business upswing. Partly as a result of special factors, exports of goods and services, which were down in the first quarter, rose sharply in the second quarter, accounting for more than half of the rise in total Gross National Expenditure. The gain in exports was fairly widespread and reflected rising demands of the United States economy for Canadian export goods, especially in the wood and metal products groups. Personal and government expenditures on goods and services continued to rise in the quarter, but the advance in consumer spending was very modest, amounting to only about 1 per cent. Outlays for new housing fell further, continuing the first quarter decline, while the rate of business inventory accumulation moderated from the high level recorded in the first quarter.

Over the course of the past year, reversals in trend have occurred in a number of major categories of demand, and the pattern of the nation's total expenditure has shown a marked change. Business inventories have swung around from a position of heavy liquidation in the second quarter of 1958, to one of net accumulation; the turn-around here has been the equivalent of about \$0.6 billion in terms of new demands on production. The downward drift in business capital expenditure for new plant and equipment which was moderating in the latter part of 1958, has been reversed, and outlays by the business sector are now providing a positive stimulus to the rise in final demand. Both non-residential construction and machinery and equipment outlays are, of course, still far below the very high levels



reached at the peak of the capital investment boom in 1957; but machinery and equipment outlays in the second quarter were running 10 per cent above year-ago levels, while non-residential construction outlays were only a little below the second quarter of last year. Recovery in the general pace of business activity has been accompanied, as in the past, by a reversal in the trend of imports; after declining by 10 per cent from early in 1957 to a low point in early 1958, imports of goods and services have turned sharply upward in the past twelve months, and are now running 9 per cent above year-ago levels. Outlays for new housing, which rose by 40 per cent from the first quarter of 1957 to the end of 1958 and provided a strong sustaining force throughout the recession period, have now been moving downward for two quarters. These reversals in trend in major categories of Gross National Expenditure during the past twelve months have produced a pattern in the over-the-year comparisons 1958 to 1959 which differs sharply from that of the preceding 12-month period. The following table provides some perspective of the nature and magnitude of these shifts in the nation's spending pattern:-

	Change, 2Q 1957 to 2Q 1958 %	Change, 2Q 1958 to 2Q 1959 %	Annual Averages 6 mos. 1959 Compared With Full Year, 1958 %
Personal Expenditure.....	4.3%	6.6%	4.8%
Government Expenditure.....	7.5%	7.2%	5.7%
Residential Construction.....	27.3%	-6.9%	-6.2%
Non-Residential Construction..	-8.1%	-0.4%	-0.6%
Machinery and Equipment.....	-22.8%	9.9%	4.0%
Exports.....	1.6%	5.7%	3.3%
Total Final Demand.....	2.1%	5.6%	3.8%
Inventories.....	(\$-0.9 b.)	(\$+0.7 b.)	(\$+0.7 b.)
(Business Only).....	(\$-0.8 b.)	(\$+0.6 b.)	(\$+0.6 b.)
Imports.....	-8.5%	9.3%	6.2%
Gross National Product....	1.7%	7.5%	5.7%
GNP - 1949 Constant Dollars..	-0.7%	5.5%	n.a.
Price Component of G.N.P.....	2.4%	1.9%	n.a.

The flow of income to the personal, business, and government sectors during the past twelve months has also been marked by changes in the trend of important income components, and by shifts in the compositional pattern of the income aggregates. There has been a sharp change in the composition of personal income as between the proportion derived from productive activity (notably wages and salaries), and the proportion arising through transfer payments from government. From the second quarter of 1957 to the second quarter of 1958, transfer payments accounted for more than 49 per cent of the rise in total personal income. However, between the second quarter of 1958 and the second quarter of 1959, transfer payments accounted for only 11 per cent of the rise in total personal income, with the remainder of the increase coming from gains in those income components which are linked directly to productive activity. Labour income, for example, has shown an over-the-year gain of 8 per cent in 1959, compared with a much smaller gain of less than 3 per cent in the preceding 12-month period. Turning to the business sector, corporation profits have shown a sharp reversal in trend during the past twelve months; having declined steadily from a peak early in 1956, they turned sharply upward in the third and fourth quarters of

1958, and have shown little change in either direction in the first half of 1959. In the second quarter of this year they were running 23 per cent above year-ago levels, compared with a decline of 14 per cent in the same comparison made one year earlier. The sharp rise in profits during the past year, and the lesser role of transfer payments as a component of personal income, has altered the relationship between national income and personal income. Whereas a year ago, personal income was rising at a much more rapid rate than national income, in the current period personal income has lagged slightly behind the advance in national income.

Selected Personal and Business Income Components	Change, 2Q 1957 to 2Q 1958 %	Change, 2Q 1958 to 2Q 1959 %	Annual Averages 6 mos. 1959 Compared With Full Year, 1958 %
1. Wages and Salaries.....	2.5%	8.0%	6.8%
2. Transfer Payments.....	37.0%	7.8%	4.3%
3. Personal Income.....	6.3%	7.5%	6.1%
4. Corporation Profits Before Taxes.....	-13.8%	23.2%	13.1%
5. Rent, Interest, & Miscellaneous Investment Income.....	1.9%	11.0%	4.7%
6. Net Income, Non-Farm Unincor- porated Business.....	2.8%	4.5%	1.5%
7. National Income.....	2.4%	8.1%	6.3%
Selected Government Revenues (All Levels of Government)			
8. Direct Personal Taxes.....	-13.6%	22.2%	
9. Corporation Tax Liabilities....	-13.0%	25.1%	
10. Indirect Taxes.....	-0.9%	10.0%	
Total.....	-6.7%	15.8%	

One of the striking developments of the current period of expansion has been the sharp recovery in the flow of tax revenues to the government sector. From the second quarter of 1957 through to the second quarter of 1958, the decline in tax revenues from the three major tax sources amounted to almost 7 per cent, for all levels of government combined. From the second quarter of 1958 through to the second quarter of 1959, the rise in revenues from these three sources has amounted to about 16 per cent, reflecting the recovery in profits, higher employment and earnings, a higher level of imports, sales and shipments, and increases in tax rates. About three-fourths of the rise in revenues during the past twelve months represents higher revenues collected by, or accruing to the Federal government.

### Production and Employment

Unlike the first quarter when a large part of the rise in production was concentrated in mining and durable manufacturing, the expansion in output in the second quarter (seasonally adjusted), was registered on a broad front. As in the past, support continued to come from the service industries but the major part of the over-all gain in real output originated in the goods-producing industries. Output in construction rose fractionally, reflecting the increase in non-residential construction.

Although the changes in production in the individual manufacturing industries were quite varied, both durables and non-durables recorded gains in excess of 2 per



cent. Small losses were recorded in tobacco products, products of petroleum and coal, chemicals, transportation equipment and electrical apparatus and supplies. Advances in production ranging from 2 to 9 per cent occurred in the food, rubber, wood products, paper products, printing and publishing, iron and steel, textiles, clothing, beverages, leather and non-ferrous metals industries.

Trends in output of the various metals and minerals were extremely mixed, making for a rate of increase in mining output as a whole which was small compared with that of the first quarter when the settlement of industrial disputes contributed to a substantial increase. Production in forestry continued to rise moderately.

The increase in real output in the first half of the year compared with the first half of 1958 amounted to 5 per cent, with the goods-producing industries and the service-producing industries showing about the same rate of gain. Output in construction was lower, but all other industries increased their output. Among the gains recorded are 6 per cent in trade, 9 per cent in forestry, and 7 per cent in both mining and manufacturing.

The 5 per cent advance in the physical volume of goods and services produced in the first half of 1959 was accompanied by a rise in employment amounting to about 2.5 per cent. Thus, production has risen at about twice the rate of employment over the course of the past year. A significant advance in output per worker is not unusual in the early stages of an expansion, and a similar development has characterized the recovery in the United States. This same phenomenon was noted in Canada in the early phases of the 1954-1955 recovery.

The survey of establishments, while not comprehensive in coverage as is the Labour Force Survey, provides some interesting detail on the changes in employment by industry between the two years. Compared with the same period a year ago, in the first six months of 1959 the industrial composite index was higher by close to 1 per cent, the changes in both directions being small in all the industrial divisions. Trade, finance, insurance and real estate, and the service group show gains in employment of around 2 per cent, as does the non-durable segment of manufacturing. Employment in durable manufacturing and transportation, communication and storage was down about 1 per cent while employment in mining shows the largest change of all a decline of 3 per cent. In spite of the extent of the improvement in the employment situation, by June of this year, the mining and manufacturing indexes, seasonally adjusted, had not regained their pre-recession levels.

On a seasonally adjusted basis, the rise in employment from the first to second quarter of this year amounted to about 1 per cent, still somewhat short of the rise in output. The number of persons without jobs and seeking work continued to show a more than seasonal decline.

#### Gross Fixed Capital Formation

Renewed expansion in business expenditures on plant and equipment gave an impetus to economic activity in the second quarter. Rising to a seasonally adjusted annual rate of \$5,344 million, they were 5 per cent higher than in the first quarter both components showed about the same rate of increase. The expansion in outlays for machinery and equipment coincided with and was supported by a rise in imports. Outlays for non-residential construction and for machinery and equipment, particularly the latter, were still far short of the levels reached during the investment boom of 1957.



The over-all rise in expenditures on fixed investment was dampened by a further drop in outlays for housing. Housing starts continued to decline from the record rate of 1958 and outlays in the second quarter were 4 per cent below those of the first quarter and 8 per cent below the 1958 average.<sup>1/</sup>

While expenditures on gross fixed capital formation in the first half of 1959 were almost at the level of the same period a year earlier, the composition of the total had changed appreciably. The upswing in outlays for machinery and equipment had raised this component 4 per cent; both residential construction and non-residential construction were running 2 to 3 per cent lower.

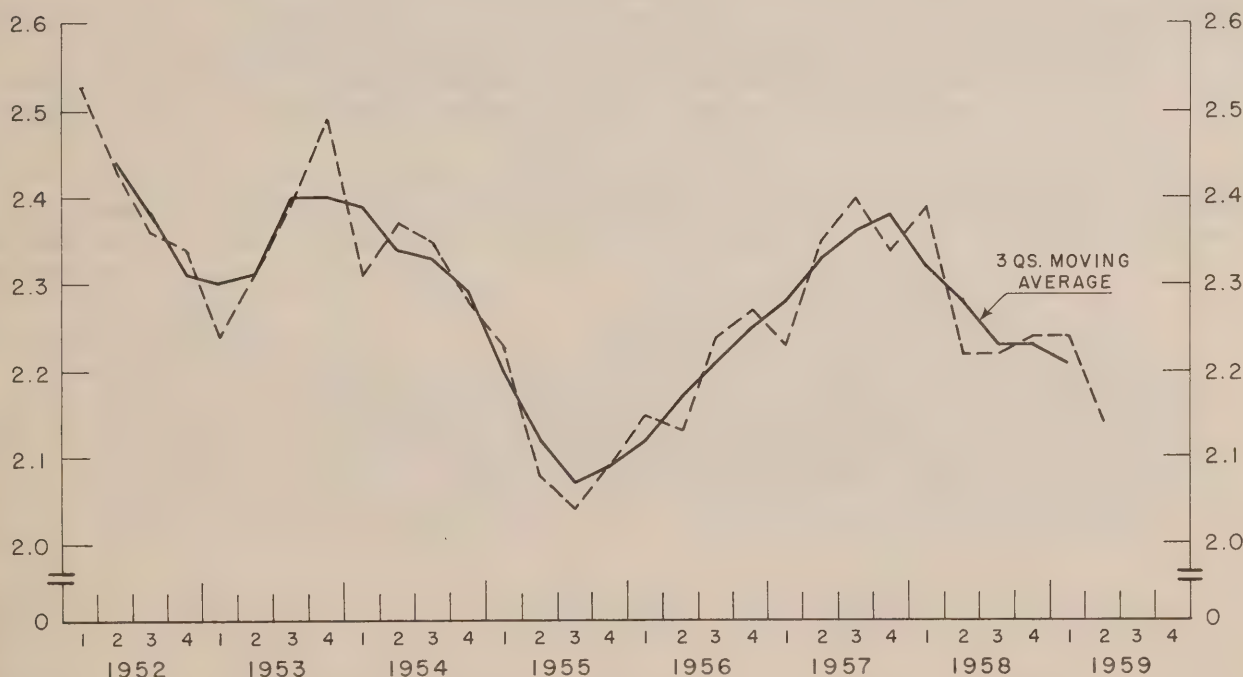
The mid-year survey of investment intentions provided evidence of an improvement in the state of business confidence. Where investment plans had been revised, revisions for the most part were in an upward direction and more new projects were being initiated than had been the case a year earlier. Recent figures on employment, value of industrial and commercial building permits, and new orders and shipments all point to renewed strength in the business investment sector.

### Change in Business Inventories

The trend toward restocking of business inventories, which began in the closing quarter of 1958, continued in the second quarter of 1959. However, the rate of accumulation was considerably lower than in the first quarter, largely as a result of the behaviour of stocks of automobiles; sales of motor vehicle dealers kept

### MANUFACTURING-STOCK/SHIPMENTS RATIO

Seasonally Adjusted



NOTE: THE RATIO REFERS TO THE LAST MONTH OF THE QUARTER

1. In 1959, a new sample survey of housing starts and completions was instituted in areas outside the centres of 5,000 population and over. It is possible that the decline indicated in the present value figures may be somewhat over-stated because of the change to the new sample survey.

pace with deliveries in contrast to a substantial accumulation of stocks in the first quarter. Manufacturers' shipments and wholesalers' sales both rose in the second quarter, and the further build-up of stocks in these industries presumably reflects an effort by businessmen to maintain appropriate stock sales ratios. However, stocks sales ratios continued to decline in the second quarter in manufacturing and in retail trade but remained unchanged in wholesale trade.

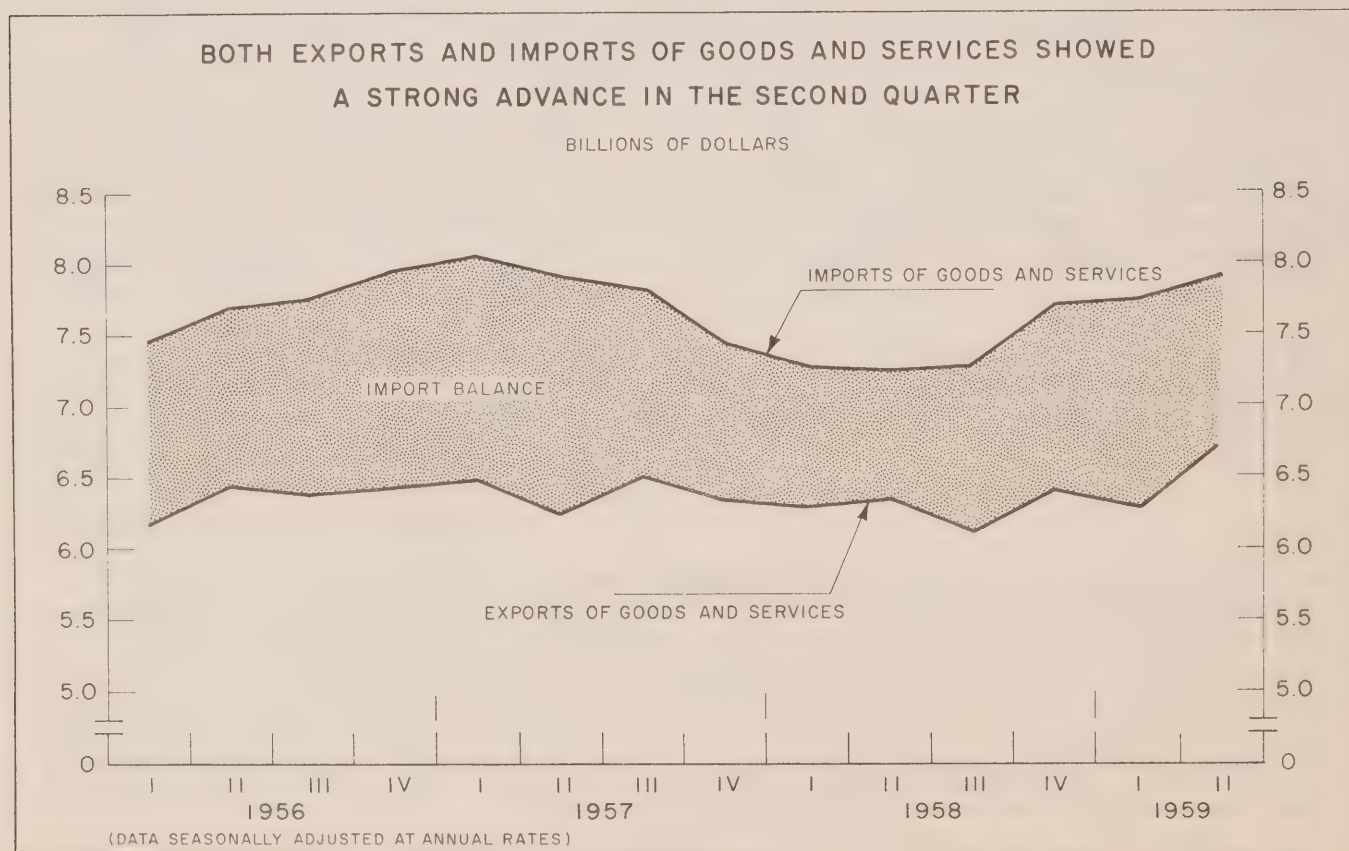
Manufacturers' inventories continued to accumulate in the second quarter but at a lower rate. The build-up was the result of small but widespread increases in the durable goods industries. In the non-durable lines manufacturers on balance liquidated stocks, the most pronounced liquidation being in the leather, paper products and clothing industries.

Retailers' inventories remained much the same in the second quarter, after having been built up substantially in the first. This development was mainly the result of the movement of stocks of motor vehicle dealers mentioned earlier.

The heaviest accumulation occurred in the hands of wholesale traders whose stocks, particularly in construction and building materials and in industrial machinery and commercial equipment, showed substantial gains. The accumulations occurring in the above-mentioned durable groups reflect a combination of the higher level of investment in machinery and equipment, sharp increases in imports and the possibility of an interruption in supplies of steel from the United States.

#### Exports and Imports of Goods and Services

Exports of goods and services, seasonally adjusted, rose by 6 1/2 per cent in the second quarter; while this is one of the largest quarter-to-quarter gains in several years, it reflects an exceptionally high level of commodity exports in the





month of June. Advances were recorded in both the merchandise and service items in the second quarter. Within the merchandise total, increases were fairly general among commodity groups, with the most pronounced gains occurring in wood and wood products, non-ferrous metals, and animal products, when seasonal factors are taken into account. Commodity exports to the United States were at an all-time record.

In the first half of this year, merchandise exports have averaged about 2 per cent above the same period one year ago. Gains in some commodity groups have been partially offset by losses in others. The increases were concentrated in such minerals as uranium, iron ore and asbestos, in such forest products as lumber, wood-pulp, plywood and veneer, and in farm machinery. The declines have occurred in such farm products as wheat and other grains, in such metals and mineral products as nickel, copper and petroleum, and in aircraft and some chemicals. In 1958, exports of wheat and military aircraft in particular had been unusually high by reason of government loans and foreign contracts. The first half-year comparison shows a sharp recovery in shipments to the United States offsetting a decline in sales to most major overseas markets.

Imports of goods and services, seasonally adjusted, continued to rise in the second quarter, advancing by 2 1/2 per cent from the first quarter and attaining the highest level since the first quarter of 1957. All of the increase is attributable to the merchandise items.

Merchandise imports were nearly 4 per cent above the first quarter, on a seasonally adjusted basis, with the increases fairly general among the commodity groups. However, much the largest gain occurred in iron and its products, reflecting not only the rising tempo of economic activity in Canada, but also some stock-piling of steel in anticipation of a work stoppage in the United States.

In the first half of 1959, merchandise imports have been running 10 per cent above the levels of the same period one year ago. The increases have again been fairly widespread among industrial materials, consumer goods, and some types of industrial equipment. Gains in automobiles, farm implements, and machinery and metal products have been prominent among the year-to-year increases.

While the unusually sharp advance in exports of goods and services brought some narrowing of the deficit on current international account in the second quarter, for the first half of 1959, the deficit has averaged more than one-third higher than in the same period a year ago.

### Personal Income and Saving

The flow of income to the personal sector continued upward in the second quarter, rising by 2 per cent, on a seasonally adjusted basis. All components showed gains over the first quarter, with the exception of interest, dividends, and net rental income of persons, where a drop in dividend payments brought about a slight decline in the aggregate. The gain in net income received by farm operators reflected in large part higher adjustment payments to farmers by the Canadian Wheat Board. The increase in transfer payments from government reflected higher payments by the provinces to hospitals under the new national hospital insurance scheme. The rise in labour income, the major component of personal income, was substantial, though smaller than in the first quarter; developments in this component of income are discussed in a later section.



In the first two quarters of this year, disposable income has advanced less rapidly than personal income, as payments of direct personal taxes have risen sharply and have absorbed an increasing share of the income flow. At the same time, however, the rise in consumer spending has fallen short of the rise in disposable income, and the rate of personal saving has continued to advance. In the first half of 1959, personal saving has averaged 7.8 per cent of disposable income, compared with 7.4 per cent in the first half of the year 1958, and 7.0 per cent for the year 1958 as a whole.

### Labour Income

Labour income, seasonally adjusted, advanced a further 1 1/2 per cent in the second quarter. The rate of increase was small compared with the first quarter when the cyclical upward trend in the wage-bill, reinforced by such special factors as the termination of industrial disputes and retroactive payments to non-operating employees of the railways, made for the largest quarter-to-quarter gain in several years. Whether measured by the comprehensive labour force survey or the more restricted industrial composite index, employment increased by about 1 per cent between the two quarters, on a seasonally adjusted basis. Thus the gain in labour income continues to reflect some advance in average earnings.

In the second quarter, trends in labour income in the individual industries coincided fairly closely with the trend of labour income as a whole, in contrast to several recent quarters of conflicting and divergent movements. There were gains of 1 to 2 per cent in all industries except forestry and transportation, communication and storage. Labour income in forestry was unchanged and it declined moderately in transportation, communication and storage, reflecting the retroactive wage increase which had swollen first quarter earnings in that industry.

By comparison with the first half of 1958, labour income in the same period of this year advanced 8 per cent. The gains were fairly substantial in almost all industries. Mining is an important exception; as a result of the lower level of employment the wage-bill in this industry showed little change from a year earlier. Labour income in manufacturing was higher by 5 per cent, reflecting a slight gain in employment, some increase in hours of work and higher average earnings. Relatively large gains occurred in the service industries.

### Personal Expenditure on Consumer Goods and Services

Personal expenditure on consumer goods and services showed a modest gain in the second quarter, advancing by about 1 per cent over the level of the first quarter, on a seasonally adjusted basis. Since consumer prices on the whole were unchanged, this increase represents an equivalent gain in real consumption.

Most of the advance in personal spending is attributable to durables which were up about 2 per cent, that is, much the same rate of increase as in the first quarter. Almost all categories of durables recorded small gains.

Purchases of non-durables rose rather less than 1 per cent, reflecting mixed and largely offsetting changes in the various groups; tobacco and alcoholic beverages and footwear were the principal items where purchasing increased, and fuel and clothing the principal items where declines were registered.

Expenditure on services in the second quarter was virtually unchanged. This stability reflected a large decline in net expenditures abroad offsetting gains in other service items.

By comparison with the first half of 1958, the first half of 1959 shows a distinct shift in the pattern of consumer spending. The rate of increase in purchases of durables (11 1/2 per cent), is large relative to the 6 1/2 per cent increase in total spending. Purchases of automobiles account for the major part of the increase in durables. Spending for services rose nearly 8 per cent, but spending on non-durables was only 4 1/2 per cent higher. The major categories such as food, clothing and tobacco and alcoholic beverages show rates of increase that range from 3 to 5 1/2 per cent.

In the first half of 1959, total per capita consumption in real terms was close to 3 per cent higher than in the same period of 1958; real per capita consumption of durables was higher by 5 per cent and on non-durables and services rather more than 2 per cent.

#### Corporation Profits and Other Investment Income

In the second quarter of 1959, as in the first, corporate profits, seasonally adjusted, showed very little change from the high level reached at the end of 1958. Most manufacturing industries earned larger profits, the most pronounced gains being in iron and steel and in wood, paper, printing, and publishing and allied industries. Two groups of industries -- mining, quarrying and oil wells, and transportation, communication and storage -- both reported higher capital cost allowances with the result that their net profits were down substantially. In other industries, changes in profits were mixed and offsetting.

In the first half of 1959, corporation profits have been running at a level about 22 per cent above the same period a year ago. The stepped-up pace of economic activity has brought about a striking rise in profits in almost all industries, including manufacturing, 21 per cent; mining, quarrying and oil wells, 32 per cent; wholesale trade, 32 per cent; retail trade, 8 per cent. The level of corporation profits in the second quarter, at a seasonally adjusted annual rate of \$2.8 billion, was not far below the peak of \$2.9 billion reached in the first half of 1956.

Rents, interest, and miscellaneous investment income, seasonally adjusted, rose by about 2 per cent in the second quarter, reflecting advances in rental incomes and in the trading profits of government business enterprises. In the first half of 1959, this component of national income has been running about 12 per cent above the level of the previous year.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	2,965	3,076	3,201	3,190	12,432
2. Military Pay and Allowances .....	83	92	95	97	367
3. Corporation Profits before Taxes <sup>1</sup> .....	411	538	563	451	1,963
4. Rent, Interest, and Miscellaneous Investment Income ..	345	351	398	417	1,511
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	40	111	735	131	1,017
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	329	423	427	477	1,656
7. Inventory Valuation Adjustment <sup>4</sup> .....	38	15	27	6	86
8. NET NATIONAL INCOME AT FACTOR COST .....	4,211	4,606	5,446	4,769	19,032
9. Indirect Taxes less Subsidies .....	724	741	734	748	2,947
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	671	732	734	768	2,905
11. Residual Error of Estimate .....	-80	3	25	39	-13
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	5,526	6,082	6,939	6,324	24,871
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(5,486)	(5,971)	(6,204)	(6,193)	(23,854)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,782	4,004	4,174	4,036	15,996
2. Military Pay and Allowances .....	108	116	131	121	476
3. Corporation Profits before Taxes <sup>1</sup> .....	559	754	700	534	2,547
4. Rent, Interest, and Miscellaneous Investment Income ..	469	465	483	488	1,905
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1	86	784	125	996
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	425	519	524	543	2,011
7. Inventory Valuation Adjustment <sup>4</sup> .....	-39	-26	-9	3	-71
8. NET NATIONAL INCOME AT FACTOR COST .....	5,305	5,918	6,787	5,850	23,860
9. Indirect Taxes less Subsidies .....	962	972	976	938	3,848
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	960	1,021	1,011	1,002	3,994
11. Residual Error of Estimate .....	-80	-81	80	152	71
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,147	7,830	8,854	7,942	31,773
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,146)	(7,744)	(8,070)	(7,817)	(30,777)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.



GROSS NATIONAL PRODUCT, BY QUARTERS, 1954-1959  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
3,086	3,261	3,429	3,447	13,223	3,402	3,679	3,906	3,903	14,890	1.
92	100	101	101	394	93	106	113	112	424	2.
444	699	776	651	2,570	611	836	798	663	2,908	3.
396	417	425	446	1,684	422	440	439	466	1,767	4.
-5	144	1,035	90	1,264	-18	119	1,202	147	1,450	5.
357	462	471	501	1,791	397	510	511	547	1,965	6.
-38	-34	-55	-62	-189	-48	-89	-50	-51	-238	7.
4,332	5,049	6,182	5,174	20,737	4,859	5,601	6,919	5,787	23,166	8.
755	800	831	851	3,237	865	916	923	932	3,636	9.
754	818	835	859	3,266	827	908	946	961	3,642	10.
-35	-63	-35	25	-108	13	-98	38	188	141	11.
5,806	6,604	7,813	6,909	27,132	6,564	7,327	8,826	7,868	30,585	12.
(5,811)	(6,460)	(6,778)	(6,819)	(25,868)	(6,582)	(7,208)	(7,624)	(7,721)	(29,135)	13.

1958					1959					
I	II	III	IV	Year	I	II				
3,864	4,104	4,252	4,214	16,434	4,170	4,439				1.
117	126	125	123	491	118	129				2.
462	662	685	666	2,475	573	813				3.
465	473	533	555	2,026	525	521				4.
10	133	877	137	1,157	11	166				5.
431	533	551	604	2,119	457	548				6.
-18	10	16	-37	-29	-30	-36				7.
5,331	6,041	7,039	6,262	24,673	5,824	6,580				8.
944	962	963	989	3,858	991	1,049				9.
955	1,002	979	987	3,923	963	1,075				10.
-141	-40	120	116	55	-138	-139				11.
7,089	7,965	9,101	8,354	32,509	7,640	8,565				12.
(7,079)	(7,832)	(8,224)	(8,217)	(31,352)	(7,629)	(8,399)				13.

TABLE 2. GROSS NATIONAL  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,635	4,047	4,001	4,492	16,175
2. Government Expenditure on Goods and Services <sup>1,4</sup> ....	1,057	1,023	1,232	1,149	4,461
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,015	1,291	1,268	1,205	4,779
4.   New Residential Construction .....	218	298	351	360	1,227
5.   New Non-Residential Construction .....	346	403	489	433	1,671
6.   New Machinery and Equipment .....	451	590	428	412	1,881
7. Value of Physical Change in Inventories <sup>3</sup> .....	-86	-76	442	-410	-130
8.   Non-Farm Business Inventories .....	146	15	-60	-141	- 40
9.   Farm Inventories and Grain in Commercial Channels..	-232	-91	502	-269	- 90
10. Exports of Goods and Services .....	1,090	1,278	1,400	1,379	5,147
11. Deduct: Imports of Goods and Services .....	-1,264	-1,478	-1,379	-1,453	-5,574
12. Residual Error of Estimate .....	79	-3	-25	-38	13
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	5,526	6,082	6,939	6,324	24,871

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,566	4,983	4,949	5,466	19,964
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,277	1,345	1,639	1,477	5,738
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,542	1,994	2,002	1,797	7,335
4.   New Residential Construction .....	248	359	393	409	1,409
5.   New Non-Residential Construction .....	579	775	946	803	3,103
6.   New Machinery and Equipment .....	715	860	663	585	2,823
7. Value of Physical Change in Inventories <sup>3</sup> .....	107	-32	541	-406	210
8.   Non-Farm Business Inventories .....	360	46	-8	-87	311
9.   Farm Inventories and Grain in Commercial Channels..	-253	-78	549	-319	-101
10. Exports of Goods and Services .....	1,412	1,579	1,767	1,636	6,394
11. Deduct: Imports of Goods and Services .....	-1,837	-2,119	-1,964	-1,876	-7,796
12. Residual Error of Estimate .....	80	80	-80	-152	-72
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,147	7,830	8,854	7,942	31,773

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).
4. Includes defence expenditures of:

1954				
I	II	III	IV	Year
528	360	399	440	1,727

1955				
I	II	III	IV	Year
520	391	414	435	1,760

1956				
I	II	III	IV	Year
491	394	448	469	1,802

EXPENDITURE, BY QUARTERS, 1954-1959  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
3,886	4,379	4,283	4,941	17,389	4,255	4,681	4,643	5,254	18,833	1.
1,203	1,062	1,306	1,221	4,792	1,227	1,186	1,548	1,425	5,386	2.
973	1,344	1,473	1,420	5,210	1,267	1,815	1,908	1,784	6,774	3.
236	349	399	394	1,378	291	414	428	393	1,526	4.
338	435	561	514	1,848	425	624	806	734	2,589	5.
399	560	513	512	1,984	551	777	674	657	2,659	6.
-111	-79	794	-293	311	191	-17	976	-66	1,084	7.
166	-44	-13	24	133	452	138	26	192	808	8.
-277	-35	807	-317	178	-261	-155	950	-258	276	9.
1,217	1,440	1,586	1,521	5,764	1,347	1,635	1,731	1,652	6,365	10.
-1,397	-1,605	-1,665	-1,776	-6,443	-1,709	-2,071	-1,942	-1,993	-7,715	11.
35	63	36	-25	109	-14	98	-38	-188	-142	12.
5,806	6,604	7,813	6,909	27,132	6,564	7,327	8,826	7,868	30,585	13.

1958					1959		
I	II	III	IV	Year	I	II	
4,818	5,218	5,170	5,806	21,012	5,149	5,517	1.
1,334	1,443	1,761	1,612	6,150	1,433	1,543	2.
1,397	1,862	1,895	1,745	6,899	1,332	1,852	3.
301	457	494	510	1,762	308	426	4.
537	720	853	703	2,813	484	668	5.
559	685	548	532	2,324	540	758	6.
-331	-272	582	-403	-424	-22	-67	7.
-24	-153	-63	-36	-276	278	-13	8.
-307	-119	645	-367	-148	-300	-54	9.
1,378	1,607	1,645	1,659	6,289	1,343	1,727	10.
-1,649	-1,932	-1,832	-1,948	-7,361	-1,734	-2,147	11.
142	39	-120	-117	-56	139	140	12.
7,089	7,965	9,101	8,354	32,509	7,640	8,565	13.

1957				
I	II	III	IV	Year
511	383	442	429	1,765

1958				
I	II	III	IV	Year
472	377	404	408	1,661

1959	
I	II
458	357



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	2,965	3,076	3,201	3,190	12,432
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-101	-105	-106	-110	-422
3. Military Pay and Allowances .....	83	92	95	97	367
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	44	120	704	141	1,009
5. Net Income of Non-Farm Unincorporated Business .....	329	423	427	477	1,656
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	385	443	429	462	1,719
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	476	387	379	392	1,634
8. Charitable Contributions by Corporations .....	6	7	7	6	26
9. PERSONAL INCOME .....	4,187	4,443	5,136	4,655	18,421

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,782	4,004	4,174	4,036	15,996
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-145	-143	-150	-151	-589
3. Military Pay and Allowances .....	108	116	131	121	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	21	107	765	109	1,002
5. Net Income of Non-Farm Unincorporated Business .....	425	519	524	543	2,011
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	466	524	486	537	2,013
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	581	463	502	533	2,079
8. Charitable Contributions by Corporations .....	8	10	10	8	36
9. PERSONAL INCOME .....	5,246	5,600	6,442	5,736	23,024

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

INCOME, BY QUARTERS, 1954-1959  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
3,086	3,261	3,429	3,447	13,223	3,402	3,679	3,906	3,903	14,890	1.
-114	-116	-121	-125	-476	-128	-131	-136	-137	-532	2.
92	100	101	101	394	93	106	113	112	424	3.
-35	152	1,005	78	1,200	-14	120	1,183	141	1,430	4.
357	462	471	501	1,791	397	510	511	547	1,965	5.
438	461	444	497	1,840	437	494	457	520	1,908	6.
540	420	391	386	1,737	538	427	405	396	1,766	7.
5	8	8	8	29	7	10	9	8	34	8.
4,369	4,748	5,728	4,893	19,738	4,732	5,215	6,448	5,490	21,885	9.

1958					1959		
I	II	III	IV	Year	I	II	
3,864	4,104	4,252	4,214	16,434	4,170	4,439	1.
-154	-151	-157	-157	-619	-162	-155	2.
117	126	125	123	491	118	129	3.
30	140	868	123	1,161	30	189	4.
431	533	551	604	2,119	457	548	5.
495	546	538	552	2,129	541	578	6.
768	631	590	651	2,640	824	679	7.
7	9	10	10	36	8	11	8.
5,556	5,938	6,777	6,120	24,391	5,986	6,418	9.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	339	392	341	365	1,437
2. Income Taxes .....	298	359	314	325	1,296
3. Succession Duties .....	17	17	18	26	78
4. Miscellaneous .....	24	16	9	14	63
5. Personal Expenditure on Consumer Goods and Services:	3,635	4,047	4,001	4,492	16,175
6. Non-Durable Goods .....	1,793	2,036	2,110	2,434	8,373
7. Durable Goods .....	441	541	472	516	1,970
8. Services <sup>1</sup> .....	1,401	1,470	1,419	1,542	5,832
9. Personal Net Saving: .....	213	4	794	-202	809
10. Personal Saving Excluding Change in Farm Inventories .....	401	62	309	112	884
11. Value of Physical Change in Farm Inventories .....	-188	-58	485	-314	-75
12. PERSONAL INCOME .....	4,187	4,443	5,136	4,655	18,421
13. (Personal Disposable Income) <sup>2</sup> .....	(3,848)	(4,051)	(4,795)	(4,290)	(16,984)

	1957				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	466	501	474	476	1,917
2. Income Taxes .....	393	445	426	429	1,693
3. Succession Duties .....	35	33	28	30	126
4. Miscellaneous .....	38	23	20	17	98
5. Personal Expenditure on Consumer Goods and Services:	4,566	4,983	4,949	5,466	19,964
6. Non-Durable Goods .....	2,293	2,488	2,570	3,006	10,357
7. Durable Goods .....	520	680	608	623	2,431
8. Services <sup>1</sup> .....	1,753	1,815	1,771	1,837	7,176
9. Personal Net Saving: .....	214	116	1,019	-206	1,143
10. Personal Saving Excluding Change in Farm Inventories .....	458	209	485	143	1,295
11. Value of Physical Change in Farm Inventories .....	-244	-93	534	-349	-152
12. PERSONAL INCOME .....	5,246	5,600	6,442	5,736	23,024
13. (Personal Disposable Income) <sup>2</sup> .....	(4,780)	(5,099)	(5,968)	(5,260)	(21,107)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1954-1959  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
360	380	374	385	1,499	402	460	431	439	1,732	1.
310	336	322	329	1,297	331	391	382	392	1,496	2.
25	25	39	38	127	37	48	31	30	146	3.
25	19	13	18	75	34	21	18	17	90	4.
3,886	4,379	4,283	4,841	17,389	4,255	4,681	4,643	5,254	18,833	5.
1,988	2,204	2,232	2,641	9,065	2,158	2,296	2,404	2,878	9,736	6.
425	642	562	616	2,245	486	710	598	637	2,431	7.
1,473	1,533	1,489	1,584	6,079	1,611	1,675	1,641	1,739	6,666	8.
123	-11	1,071	-333	850	75	74	1,374	-203	1,320	9.
340	18	316	-22	652	298	222	455	104	1,079	10.
-217	-29	755	-311	198	-223	-148	919	-307	241	11.
4,369	4,748	5,728	4,893	19,738	4,732	5,215	6,448	5,490	21,885	12.
(4,009)	(4,368)	(5,354)	(4,508)	(18,239)	(4,330)	(4,755)	(6,017)	(5,051)	(20,153)	13.

1958					1959					
I	II	III	IV	Year	I	II				
455	433	440	463	1,791	480	529				1.
380	376	392	405	1,553	377	446				2.
34	34	27	31	126	35	30				3.
41	23	21	27	112	68	53				4.
4,818	5,218	5,170	5,806	21,012	5,149	5,517				5.
2,438	2,615	2,665	3,142	10,860	2,564	2,706				6.
537	687	600	675	2,499	582	767				7.
1,843	1,916	1,905	1,989	7,653	2,003	2,044				8.
283	287	1,167	-149	1,588	357	372				9.
545	380	556	222	1,703	634	405				10.
-262	-93	611	-371	-115	-277	-33				11.
5,556	5,938	6,777	6,120	24,391	5,986	6,418				12.
(5,101)	(5,505)	(6,337)	(5,657)	(22,600)	(5,506)	(5,889)				13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ....	12,268	12,332	12,484	12,644	12,432
2. Military Pay and Allowances .....	348	364	372	384	367
3. Corporation Profits before Taxes <sup>1</sup> .....	1,920	1,948	2,004	1,980	1,963
4. Rent, Interest, and Miscellaneous Investment Income..	1,400	1,480	1,520	1,644	1,511
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,132	976	988	972	1,017
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ....	1,596	1,620	1,668	1,740	1,656
7. Inventory Valuation Adjustment .....	152	60	108	24	86
8. NET NATIONAL INCOME AT FACTOR COST .....	18,816	18,780	19,144	19,388	19,032
9. Indirect Taxes less Subsidies .....	2,968	2,952	2,908	2,960	2,947
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	2,824	2,872	2,928	2,996	2,905
11. Residual Error of Estimate .....	-100	-16	40	24	-13
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	24,508	24,588	25,020	25,368	24,871
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(23,376)	(23,612)	(24,032)	(24,396)	(23,854)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ....	15,800	15,968	16,160	16,056	15,996
2. Military Pay and Allowances .....	460	460	500	484	476
3. Corporation Profits before Taxes <sup>1</sup> .....	2,720	2,636	2,512	2,320	2,547
4. Rent, Interest, and Miscellaneous Investment Income..	1,896	1,896	1,932	1,896	1,905
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,048	976	1,032	928	996
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ....	2,028	2,008	2,016	1,992	2,011
7. Inventory Valuation Adjustment .....	-156	-104	-36	12	-71
8. NET NATIONAL INCOME AT FACTOR COST .....	23,796	23,840	24,116	23,688	23,860
9. Indirect Taxes less Subsidies .....	3,900	3,872	3,860	3,760	3,848
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	4,008	4,012	3,996	3,960	3,994
11. Residual Error of Estimate .....	40	28	120	96	71
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	31,744	31,752	32,092	31,504	31,773
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,696)	(30,776)	(31,060)	(30,576)	(30,777)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

NATIONAL PRODUCT, BY QUARTERS, 1954-1959  
AT ANNUAL RATES  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
12,812	13,064	13,336	13,680	13,223	14,192	14,712	15,140	15,516	14,890	1.
392	396	392	396	394	396	420	432	448	424	2.
2,124	2,452	2,780	2,924	2,570	2,924	2,924	2,904	2,880	2,908	3.
1,660	1,716	1,692	1,668	1,684	1,748	1,796	1,736	1,788	1,767	4.
1,256	1,428	1,244	1,128	1,264	1,364	1,532	1,360	1,544	1,450	5.
1,728	1,772	1,824	1,840	1,791	1,908	1,964	1,972	2,016	1,965	6.
-152	-136	-220	-248	-189	-192	-356	-200	-204	-238	7.
19,820	20,692	21,048	21,388	20,737	22,340	22,992	23,344	23,988	23,166	8.
3,080	3,188	3,296	3,384	3,237	3,516	3,640	3,664	3,724	3,636	9.
3,172	3,212	3,316	3,364	3,266	3,480	3,572	3,736	3,780	3,642	10.
-16	-140	-112	-164	-108	168	-	100	296	141	11.
26,056	26,952	27,548	27,972	27,132	29,504	30,204	30,844	31,788	30,585	12.
(24,800)	(25,524)	(26,304)	(26,844)	(25,868)	(28,140)	(28,672)	(29,484)	(30,244)	(29,135)	13.

1958					1959		
I	II	III	IV	Year	I	II	
16,144	16,360	16,460	16,772	16,434	17,424	17,668	1.
496	500	476	492	491	500	508	2.
2,312	2,272	2,456	2,860	2,475	2,796	2,800	3.
1,864	1,932	2,124	2,184	2,026	2,100	2,144	4.
1,132	1,244	1,220	1,032	1,157	1,216	1,256	5.
2,068	2,064	2,120	2,224	2,119	2,144	2,156	6.
-72	40	64	-148	-29	-120	-144	7.
23,944	24,412	24,920	25,416	24,673	26,060	26,388	8.
3,856	3,800	3,812	3,964	3,858	4,028	4,148	9.
3,972	3,936	3,880	3,904	3,923	3,996	4,184	10.
-64	140	152	-8	55	-40	-8	11.
31,708	32,288	32,764	33,276	32,509	34,044	34,712	12.
(30,576)	(31,044)	(31,544)	(32,244)	(31,352)	(32,828)	(33,456)	13.



TABLE 6. GROSS NATIONAL EXPENDITURE  
SEASONALLY ADJUSTED  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.	15,656	16,056	16,456	16,532	16,175
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,264	4,480	4,504	4,596	4,461
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	4,856	4,804	4,684	4,772	4,779
4. New Residential Construction .....	1,180	1,156	1,248	1,324	1,227
5. New Non-Residential Construction .....	1,728	1,652	1,648	1,656	1,671
6. New Machinery and Equipment .....	1,948	1,996	1,788	1,792	1,881
7. Value of Physical Change in Inventories .....	92	-272	-208	-132	-130
8. Non-Farm Business Inventories .....	136	-184	-104	-8	-40
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> .....	-44	-88	-104	-124	-90
10. Exports of Goods and Services .....	4,992	5,112	5,140	5,344	5,147
11. Deduct: Imports of Goods and Services .....	-5,452	-5,608	-5,520	-5,716	-5,574
12. Residual Error of Estimate .....	100	16	-36	-28	13
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	24,508	24,588	25,020	25,368	24,871

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services.	19,604	19,880	20,164	20,208	19,964
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,592	5,716	5,836	5,808	5,738
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	7,496	7,416	7,300	7,128	7,335
4. New Residential Construction .....	1,352	1,364	1,412	1,508	1,409
5. New Non-Residential Construction .....	3,052	3,128	3,144	3,088	3,103
6. New Machinery and Equipment .....	3,092	2,924	2,744	2,532	2,823
7. Value of Physical Change in Inventories .....	640	440	224	-464	210
8. Non-Farm Business Inventories .....	684	408	356	-204	311
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> .....	-44	32	-132	-260	-101
10. Exports of Goods and Services .....	6,492	6,240	6,504	6,340	6,394
11. Deduct: Imports of Goods and Services .....	-8,040	-7,912	-7,812	-7,420	-7,796
12. Residual Error of Estimate .....	-40	-28	-124	-96	-72
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	31,744	31,752	32,092	31,504	31,773

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. Detail: Farm Inventories -	1954					1955				
	I	II	III	IV	Year	I	II	III	IV	Year
Value of grain crop production .....	696	700	700	700	699	1,044	1,044	1,044	1,048	1,045
Depletions of farm stocks of grain ..	-820	-788	-756	-872	-809	-904	-724	-992	-892	-878
Change in livestock inventories .....	44	4	52	40	35	36	48	48	-8	31
Grain in Commercial Channels .....	36	-4	-100	8	-15	-68	68	68	-148	-20

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

BY QUARTERS, 1954-1959  
AT ANNUAL RATES  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
16,744	17,272	17,552	17,988	17,389	18,248	18,692	19,056	19,336	18,833	1.
4,884	4,644	4,760	4,880	4,792	5,132	5,176	5,580	5,656	5,386	2.
4,720	5,020	5,396	5,704	5,210	6,192	6,728	7,000	7,176	6,774	3.
1,284	1,360	1,420	1,448	1,378	1,572	1,580	1,520	1,432	1,526	4.
1,736	1,796	1,872	1,988	1,848	2,236	2,544	2,716	2,860	2,589	5.
1,700	1,864	2,104	2,268	1,984	2,384	2,604	2,764	2,884	2,659	6.
144	236	496	368	311	1,408	848	660	1,420	1,084	7.
36	-200	328	368	133	1,124	688	468	952	808	8.
108	436	168	-	178	284	160	192	468	276	9.
5,584	5,708	5,860	5,904	5,764	6,172	6,456	6,396	6,436	6,365	10.
-6,036	-6,068	-6,628	-7,040	-6,443	-7,484	-7,692	-7,748	-7,936	-7,715	11.
16	140	112	168	109	-164	-4	-100	-300	-142	12.
26,056	26,952	27,548	27,972	27,132	29,504	30,204	30,844	31,788	30,585	13.

1958					1959					
I	II	III	IV	Year	I	II				
20,612	20,732	21,012	21,692	21,012	21,944	22,092				1.
5,960	6,144	6,204	6,292	6,150	6,416	6,588				2.
6,928	6,868	6,876	6,924	6,899	6,768	6,960				3.
1,644	1,736	1,792	1,876	1,762	1,688	1,616				4.
2,876	2,876	2,804	2,696	2,813	2,728	2,864				5.
2,408	2,256	2,280	2,352	2,324	2,352	2,480				6.
-920	-416	-16	-344	-424	300	272				7.
-700	-368	-56	20	-276	404	212				8.
-220	-48	40	-364	-148	-104	60				9.
6,308	6,340	6,100	6,408	6,289	6,292	6,704				10.
-7,248	-7,240	-7,256	-7,700	-7,361	-7,720	-7,912				11.
68	-140	-156	4	-56	44	8				12.
31,708	32,288	32,764	33,276	32,509	34,044	34,712				13.

1956					1957					1958					1959		
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year	I	II	
1,232	1,236	1,236	1,236	1,235	800	800	800	804	801	860	860	860	860	860	880	884	
-996	-1,028	-1,004	-972	-1,000	-1,008	-928	-896	-1,036	-967	-1,008	-1,028	-908	-1,040	-996	-1,040	-816	
60	-72	-44	80	6	64	76	24	-108	14	-12	196	72	-172	21	40	56	
-12	24	4	124	35	100	84	-60	80	51	-60	-76	16	-12	-33	16	-64	

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1954				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	12,268	12,332	12,484	12,644	12,432
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-412	-420	-424	-432	-422
3. Military Pay and Allowances .....	348	364	372	384	367
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,192	988	968	888	1,009
5. Net Income of Non-Farm Unincorporated Business .....	1,596	1,620	1,668	1,740	1,656
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	1,620	1,716	1,748	1,792	1,719
7. From Government (Excluding Interest) .....	1,556	1,588	1,668	1,724	1,634
8. Charitable Contributions by Corporations .....	24	28	28	24	26
9. PERSONAL INCOME .....	18,192	18,216	18,512	18,764	18,421

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	15,800	15,968	16,160	16,056	15,996
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-576	-580	-596	-604	-589
3. Military Pay and Allowances .....	460	460	500	484	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,120	1,004	980	904	1,002
5. Net Income of Non-Farm Unincorporated Business .....	2,028	2,008	2,016	1,992	2,011
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> Transfer Payments to Persons:	1,968	2,032	2,012	2,040	2,013
7. From Government (Excluding Interest) .....	1,868	1,916	2,188	2,344	2,079
8. Charitable Contributions by Corporations .....	40	36	36	32	36
9. PERSONAL INCOME .....	22,708	22,844	23,296	23,248	23,024

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.



INCOME, BY QUARTERS, 1954-1959  
AT ANNUAL RATES  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
12,812	13,064	13,336	13,680	13,223	14,192	14,712	15,140	15,516	14,890	1.
-456	-468	-480	-500	-476	-508	-528	-540	-552	-532	2.
392	396	392	396	394	396	420	432	448	424	3.
1,160	1,380	1,176	1,084	1,200	1,392	1,468	1,300	1,560	1,430	4.
1,728	1,772	1,824	1,840	1,791	1,908	1,964	1,972	2,016	1,965	5.
1,860	1,800	1,828	1,872	1,840	1,844	1,924	1,900	1,964	1,908	6.
1,768	1,752	1,708	1,720	1,737	1,748	1,776	1,776	1,764	1,766	7.
24	28	32	32	29	36	36	32	32	34	8.
19,288	19,724	19,816	20,124	19,738	21,008	21,772	22,012	22,748	21,885	9.

1958					1959		
I	II	III	IV	Year	I	II	
16,144	16,360	16,460	16,772	16,434	17,424	17,668	1.
-608	-616	-624	-628	-619	-640	-632	2.
496	500	476	492	491	500	508	3.
1,160	1,220	1,248	1,016	1,161	1,208	1,316	4.
2,068	2,064	2,120	2,224	2,119	2,144	2,156	5.
2,064	2,108	2,224	2,120	2,129	2,276	2,240	6.
2,484	2,624	2,600	2,852	2,640	2,680	2,828	7.
36	32	36	40	36	40	40	8.
23,844	24,292	24,540	24,888	24,391	25,632	26,124	9.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,412	1,440	1,432	1,464	1,437
2. Income Taxes .....	1,272	1,300	1,296	1,316	1,296
3. Succession Duties .....	76	76	80	80	78
4. Miscellaneous .....	64	64	56	68	63
5. Personal Expenditure on Consumer Goods and Services:	15,656	16,056	16,456	16,532	16,175
6. Non-Durable Goods .....	8,052	8,332	8,564	8,544	8,373
7. Durable Goods .....	2,024	1,932	1,976	1,948	1,970
8. Services <sup>1</sup> .....	5,580	5,792	5,916	6,040	5,832
9. Personal Net Saving: .....	1,124	720	624	768	809
10. PERSONAL INCOME .....	18,192	18,216	18,512	18,764	18,421
11. (Personal Disposable Income) <sup>2</sup> .....	(16,780)	(16,776)	(17,080)	(17,300)	(16,984)

	1957				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	1,916	1,924	1,916	1,912	1,917
2. Income Taxes .....	1,692	1,696	1,688	1,696	1,693
3. Succession Duties .....	128	128	124	124	126
4. Miscellaneous .....	96	100	104	92	98
5. Personal Expenditure on Consumer Goods and Services:	19,604	19,880	20,164	20,208	19,964
6. Non-Durable Goods .....	10,140	10,328	10,456	10,504	10,357
7. Durable Goods .....	2,436	2,408	2,476	2,404	2,431
8. Services <sup>1</sup> .....	7,028	7,144	7,232	7,300	7,176
9. Personal Net Saving: .....	1,188	1,040	1,216	1,128	1,143
10. PERSONAL INCOME .....	22,708	22,844	23,296	23,248	23,024
11. (Personal Disposable Income) <sup>2</sup> .....	(20,792)	(20,920)	(21,380)	(21,336)	(21,107)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1954-1959  
AT ANNUAL RATES  
of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
1,528	1,476	1,492	1,500	1,499	1,664	1,724	1,768	1,772	1,732	1.
1,332	1,272	1,292	1,292	1,297	1,428	1,488	1,528	1,540	1,496	2.
128	128	128	124	127	148	148	144	144	146	3.
68	76	72	84	75	88	88	96	88	90	4.
16,744	17,272	17,552	17,988	17,389	18,248	18,692	19,056	19,336	18,833	5.
8,848	9,000	9,096	9,316	9,065	9,480	9,608	9,880	9,976	9,736	6.
2,004	2,248	2,308	2,420	2,245	2,312	2,500	2,452	2,460	2,431	7.
5,892	6,024	6,148	6,252	6,079	6,456	6,584	6,724	6,900	6,666	8.
1,016	976	772	636	850	1,096	1,356	1,188	1,640	1,320	9.
19,288	19,724	19,816	20,124	19,738	21,008	21,772	22,012	22,748	21,885	10.
(17,760)	(18,248)	(18,324)	(18,624)	(18,239)	(19,344)	(20,048)	(20,244)	(20,976)	(20,153)	11.

1958					1959		
I	II	III	IV	Year	I	II	
1,828	1,684	1,800	1,852	1,791	1,888	2,096	1.
1,600	1,460	1,568	1,584	1,553	1,588	1,732	2.
128	128	124	124	126	128	132	3.
100	96	108	144	112	172	232	4.
20,612	20,732	21,012	21,692	21,012	21,944	22,092	5.
10,720	10,760	10,828	11,132	10,860	11,180	11,264	6.
2,496	2,424	2,424	2,652	2,499	2,716	2,768	7.
7,396	7,548	7,760	7,908	7,653	8,048	8,060	8.
1,404	1,876	1,728	1,344	1,588	1,800	1,936	9.
23,844	24,292	24,540	24,888	24,391	25,632	26,124	10.
(22,016)	(22,608)	(22,740)	(23,036)	(22,600)	(23,744)	(24,028)	11.



TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1954				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,076	3,422	3,360	3,792	13,650
2. Non-Durable Goods .....	1,615	1,841	1,888	2,191	7,535
3. Durable Goods .....	384	470	413	457	1,724
4. Services .....	1,077	1,111	1,059	1,144	4,391
5. Government Expenditure on Goods and Services .....	817	782	943	873	3,415
6. Business Gross Fixed Capital Formation .....	793	1,007	987	936	3,723
7. New Residential Construction .....	169	231	270	276	946
8. New Non-Residential Construction .....	260	306	374	332	1,272
9. New Machinery and Equipment .....	364	470	343	328	1,505
10. Change in Inventories .....	-142	-119	565	-520	-216
11. Non-Farm Business Inventories .....	125	15	-43	-136	-39
12. Farm Inventories and Grain in Commercial Channels..	-267	-134	608	-384	-177
13. Exports of Goods and Services .....	980	1,137	1,250	1,249	4,616
14. Deduct: Imports of Goods and Services .....	-1,140	-1,322	-1,237	-1,314	-5,013
15. Residual Error of Estimate .....	64	-2	-20	-31	11
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	4,448	4,905	5,848	4,985	20,186

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,664	4,005	3,943	4,372	15,984
2. Non-Durable Goods .....	2,009	2,183	2,225	2,604	9,021
3. Durable Goods .....	453	587	534	553	2,127
4. Services .....	1,202	1,235	1,184	1,215	4,836
5. Government Expenditure on Goods and Services .....	867	896	1,100	969	3,832
6. Business Gross Fixed Capital Formation .....	1,081	1,388	1,384	1,232	5,085
7. New Residential Construction .....	178	254	277	288	997
8. New Non-Residential Construction .....	395	528	642	542	2,107
9. New Machinery and Equipment .....	508	606	465	402	1,981
10. Change in Inventories .....	-7	-106	702	-451	138
11. Non-Farm Business Inventories .....	295	41	-7	-59	270
12. Farm Inventories and Grain in Commercial Channels..	-302	-147	709	-392	-132
13. Exports of Goods and Services .....	1,171	1,299	1,477	1,413	5,360
14. Deduct: Imports of Goods and Services .....	-1,553	-1,786	-1,673	-1,584	-6,596
15. Residual Error of Estimate .....	60	60	-59	-115	-54
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,283	5,756	6,874	5,836	23,749

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

DOLLARS, BY QUARTERS, 1954-1959  
 FOR SEASONALITY<sup>1,2</sup>  
 of dollars)

1955					1956					
I	II	III	IV	Year	I	II	III	IV	Year	
3,256	3,706	3,616	4,084	14,662	3,552	3,917	3,828	4,306	15,603	1.
1,796	1,997	2,012	2,382	8,187	1,957	2,082	2,132	2,534	8,705	2.
382	591	528	565	2,066	442	648	551	568	2,209	3.
1,078	1,118	1,076	1,137	4,409	1,153	1,187	1,145	1,204	4,689	4.
909	793	971	890	3,563	888	834	1,090	982	3,794	5.
754	1,038	1,118	1,052	3,962	929	1,322	1,376	1,264	4,891	6.
181	266	300	293	1,040	215	302	310	283	1,110	7.
254	325	415	371	1,365	301	440	566	509	1,816	8.
319	447	403	388	1,557	413	580	500	472	1,965	9.
-177	-98	1,042	-348	419	73	-95	1,149	-172	955	10.
147	-33	-3	23	134	379	114	7	148	648	11.
-324	-65	1,045	-371	285	-306	-209	1,142	-320	307	12.
1,077	1,240	1,355	1,297	4,969	1,140	1,373	1,448	1,379	5,340	13.
-1,259	-1,438	-1,494	-1,551	-5,742	-1,471	-1,782	-1,688	-1,721	-6,662	14.
28	50	29	-20	87	-12	76	-29	-145	-110	15.
4,588	5,291	6,637	5,404	21,920	5,099	5,645	7,174	5,893	23,811	16.

1958					1959		
I	II	III	IV	Year	I	II	
3,769	4,072	4,031	4,531	16,403	3,961	4,273	1.
2,094	2,229	2,271	2,682	9,276	2,189	2,332	2.
464	589	527	577	2,157	491	643	3.
1,211	1,254	1,233	1,272	4,970	1,281	1,298	4.
863	930	1,154	1,030	3,977	903	966	5.
953	1,271	1,288	1,174	4,686	886	1,228	6.
212	317	341	349	1,219	209	283	7.
359	482	571	465	1,877	316	434	8.
382	472	376	360	1,590	361	511	9.
-351	-340	773	-448	-366	-119	-172	10.
6	-108	-43	-37	-182	219	-13	11.
-357	-232	816	-411	-184	-338	-159	12.
1,179	1,383	1,402	1,444	5,408	1,136	1,452	13.
-1,364	-1,639	-1,555	-1,659	-6,207	-1,461	-1,819	14.
104	29	-88	-86	-41	100	101	15.
5,153	5,716	7,005	5,986	23,860	5,406	6,029	16.





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CANADA

N**ATIONAL ACCOUNTS**  
**INCOME AND EXPENDITURE**  
**THIRD QUARTER**  
**1959**



*Published by Authority of*

The Honourable Gordon Churchill, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**

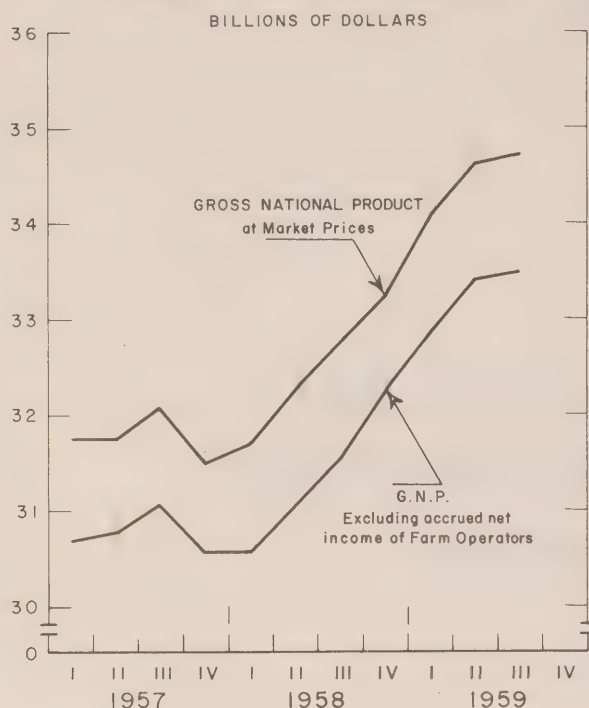
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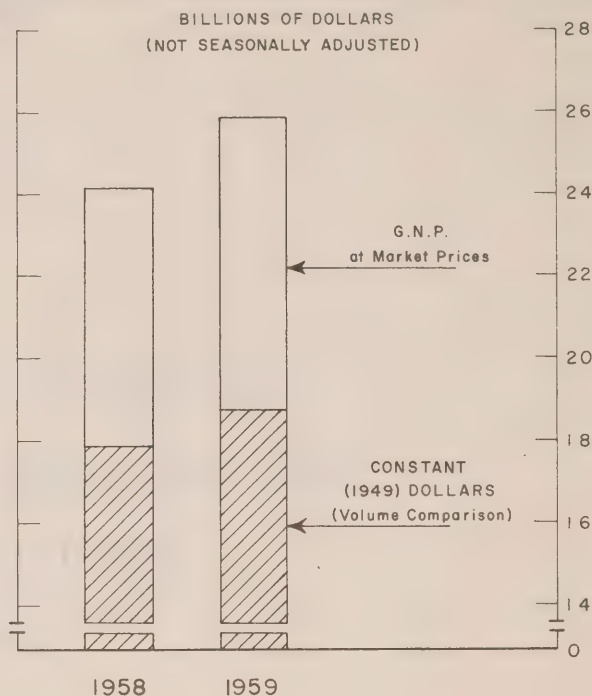
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Prices \$2.00 per year

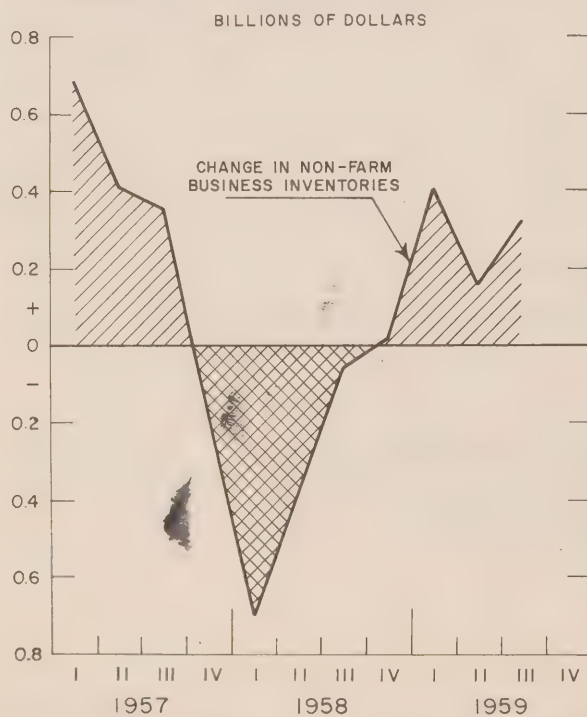
GROSS NATIONAL PRODUCT ROSE SHARPLY  
IN THE FIRST HALF OF 1959, BUT THE  
RATE OF INCREASE SLACKENED  
PERCEPTIBLY IN THE 3rd QUARTER



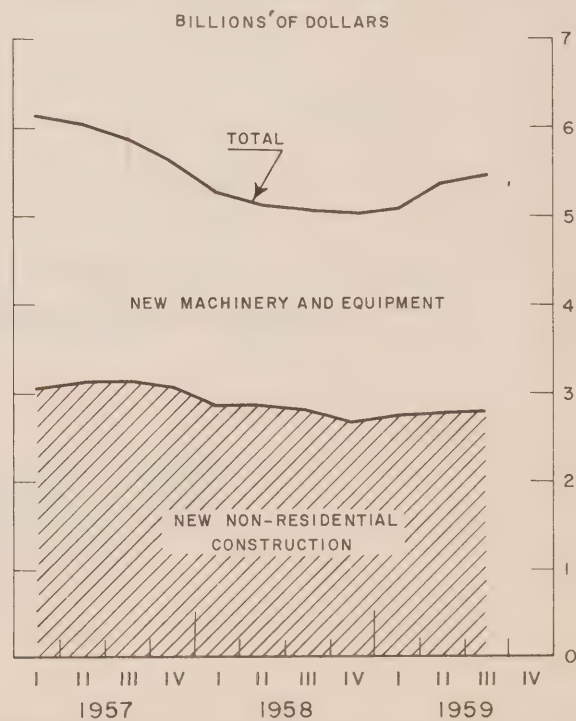
THE VALUE INCREASE IN THE FIRST NINE  
MONTHS WAS 7 PER CENT OVER THE SAME  
PERIOD OF 1958, WITH THE VOLUME OF  
PRODUCTION UP BY ABOUT 5 PER CENT



THE SWING IN BUSINESS INVENTORIES FROM  
LIQUIDATION IN 1958 TO ACCUMULATION  
IN 1959 CONTRIBUTED IMPORTANTLY TO THE  
INCREASE IN GROSS NATIONAL PRODUCT

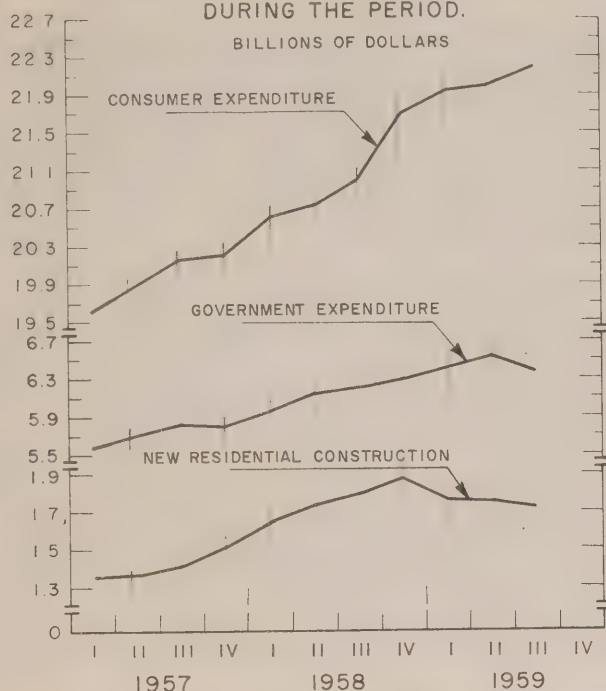


THE TWO-YEAR DOWNTREND OF BUSINESS  
OUTLAYS FOR PLANT AND EQUIPMENT WAS  
REVERSED IN THE EARLY PART OF 1959

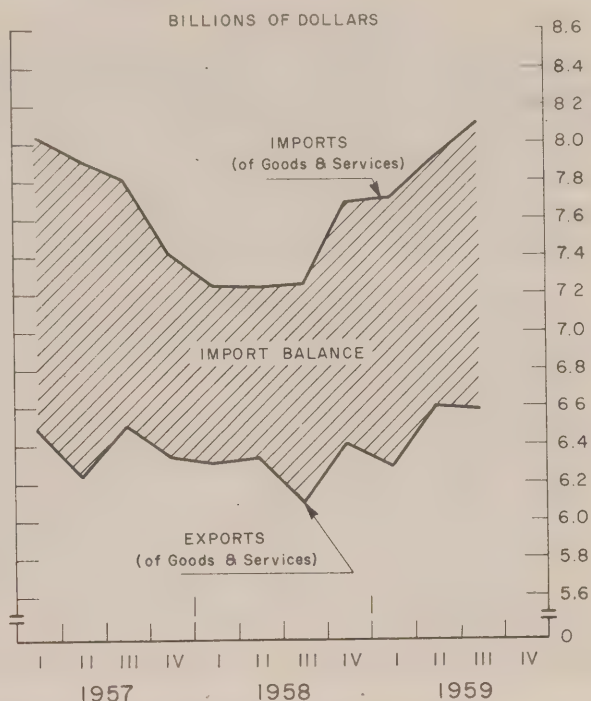


(DATA ARE SEASONALLY ADJUSTED, EXCEPT WHERE SPECIFIED OTHERWISE.)

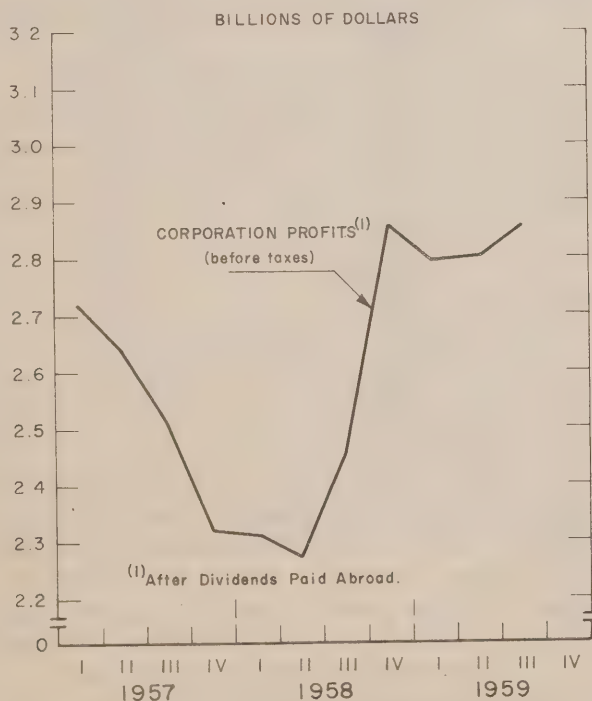
CONSUMER EXPENDITURE CONTINUED TO PROVIDE STRENGTH, BUT THE UPWARD TRENDS IN HOUSING AND GOVERNMENT EXPENDITURE WERE INTERRUPTED DURING THE PERIOD.



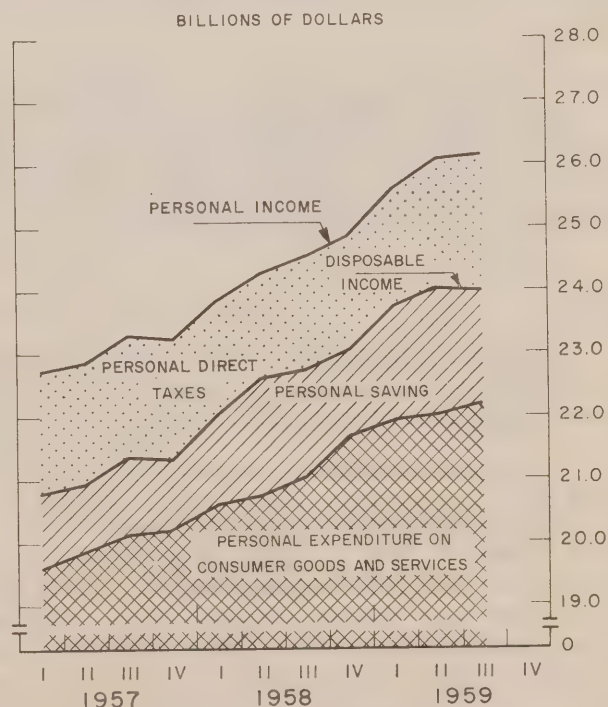
EXPORTS ROSE MODERATELY, BUT THE RISE WAS ACCOMPANIED BY A MUCH SHARPER INCREASE IN IMPORTS, WITH A CONSEQUENT WIDENING OF THE DEFICIT



CORPORATION PROFITS HAVE SHOWN LITTLE CHANGE IN THE FIRST NINE MONTHS OF 1959, AFTER A SHARP UPSWING IN THE LAST HALF OF 1958



PERSONAL INCOME AND SAVING WERE AT RECORD LEVELS IN THE FIRST NINE MONTHS OF THE YEAR



(ALL DATA AT SEASONALLY ADJUSTED ANNUAL RATES)



## INTRODUCTORY REVIEW

The expansion in Gross National Product which has been in progress since early in 1958 slackened perceptibly in the third quarter of 1959 as the rate of advance in total final purchases of goods and services moderated. The increase in the value of Gross National Product of 0.3 per cent between the second and third quarters (seasonally adjusted), was the smallest quarter-to-quarter gain since the beginning of the business recovery. With prices fractionally higher, it is estimated that there was no change in the physical volume of production.

Conflicting movements in the main categories of expenditure in the third quarter operated to restrain the rise in demand and to check the expansion in real output. The increase in final demand was very small; exports of goods and services (a highly irregular series), having advanced sharply in the second quarter, were unchanged in the third; government expenditure on goods and services dropped to a somewhat lower level; the rise in outlays for plant and equipment was more moderate and with a further decline in outlays for new housing, business fixed capital formation was not so expansionary as previously; personal expenditure on consumer goods and services was the only component of final demand where the trend was firmer in the third quarter. However, the accumulation of goods in inventory rose at a somewhat accelerated rate. With imports continuing to rise, a substantial part of the demand for final purchases and for inventory was met from foreign sources of supply.

### Quarter-to-Quarter Changes in Selected Expenditure Components

(S.A.A.R.)

(\$ millions)

	<u>1Q to 2Q</u> <u>1959</u>	<u>2Q to 3Q</u> <u>1959</u>
Personal Expenditure .....	64	188
Government Expenditure .....	124	-164
Residential Construction .....	-8	-32
Non-Residential Construction .....	40	8
Machinery and Equipment .....	240	96
Exports .....	312	-8
Total Final Purchases...	<u>772</u>	<u>88</u>
Shift in Business Inventories .....	-244	164
Change in Imports .....	204	196
Change in G.N.P. (ex farm) .....	552	88

On the income side, the pattern of change in the third quarter was also rather mixed. Labour income, seasonally adjusted, rose only fractionally, while corporation profits edged slightly upward; the latter item has shown very little change over the course of the first nine months of this year after rising sharply in the last half of 1958. Net income of non-farm unincorporated business declined slightly, reflecting mainly the fall-off in the construction and retail trade groups. Net income received by farm operators from farm production was also down, as adjustment payments to farmers by the Canadian Wheat Board which were substantial in the second quarter were not repeated. Personal income showed little change and

with direct personal taxes higher in the quarter by 3 per cent, disposable income was level with the second quarter. In spite of a 1 per cent advance in consumer spending, personal saving in the third quarter was running at an annual rate of \$1.8 billion, one of the highest rates of saving in several years.

While most of the statistical indicators for the third quarter of 1959 reflect the hesitation in the upward course of the economy, it is not possible to evaluate all of the factors which have contributed to this development. Of some importance in this country was the strike of 27,000 forestry workers in British Columbia, which had a major impact on production and income in both forestry and in durable goods manufacturing; the very small increase in labour income in the third quarter is largely attributable to the losses associated with this strike, as is the drop of one-half a percentage point in the index of industrial production. This production set-back coincided with a decline in government purchases of goods and services in the third quarter and a levelling off of exports following the substantial increase in the second quarter. In the United States, the steel strike which began in mid-July was the major factor interrupting the course of the expansion and bringing about about a decline of 1 per cent in Gross National Product in the third quarter. While shortages of steel do not appear to have directly disrupted Canadian production programmes up to the end of the third quarter, the repercussions of the strike on the United States economy have probably influenced the climate and course of the business expansion in Canada. Moreover, shortages of steel have developed in Canada in recent weeks, and fourth quarter statistics not yet available will reflect the effects of this development. Finally, quite apart from the effects of labour disputes in both Canada and the United States, the historical record suggests that periods of hesitation are not uncommon during the course of an expansionary phase.

In the first nine months of this year, Gross National Product has averaged 7 per cent above the same period of 1958. 1/ With final product prices higher by about 2 per cent in this comparison, the physical volume of output has shown an increase of about 5 per cent. This compares with virtually no change in the physical volume of output in both 1957 and in 1958, and a post-war average for the years 1947 to 1958 of 4 per cent per year.

The increase in output in 1959 has been accompanied by broad changes in the composition of the nation's income and outlay. Over the course of the past year, reversals in trend have occurred in a number of major categories of demand, and the pattern of the nation's total expenditure has shown a marked change. The following table provides some perspective on the nature and magnitude of these shifts in terms of year-to-year percentage changes. 2/

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1/ This comparison includes the value of the 1959 grain crop, which is estimated to be very slightly above the year 1958. However, the full effect of adverse weather conditions which delayed grain harvesting in the Prairie Provinces cannot yet be evaluated. It is assumed that the part of the crop now under snow will be harvested in the spring and will be of average quality.

2/ Comparisons of the three quarters of 1959 with the three quarters of 1958 are based on data unadjusted for seasonality.



Changes in Components of Gross National Expenditure

	Percentage Changes	
	1957 to 1958	First 3 Quarters 1958 to First 3 Quarters 1959
Personal Expenditure .....	5.2	6.0
Government Expenditure .....	7.2	5.3
Residential Construction .....	25.1	0.9
Non-Residential Construction .....	-9.3	-2.4
Machinery and Equipment .....	-17.7	9.8
Exports .....	-1.6	4.6
Total Final Demand ....	2.3	5.1
Inventories .....	(\$-0.6 b.)	(\$+0.7 b.)
(Business Only) .....	(\$-0.6 b.)	(\$+0.5 b.)
Imports .....	-5.6	9.5
Gross National Product.	2.3	7.1

Business inventories have swung around from a position of heavy liquidation in 1958 to one of moderate accumulation in 1959; the turn-around here has been the equivalent of about \$0.5 billion in terms of new demands on production. The downward trend in business capital expenditure for new plant and equipment, which was moderating in the latter part of 1958, has been reversed, and outlays by the business sector are now providing a stimulus to the advance in final demand. Whereas between 1957 and 1958 total plant and equipment expenditures declined by about 13 per cent, in the first three quarters of 1959 total plant and equipment outlays have been running at a rate about 3.2 per cent above the same period one year earlier. On the other hand, outlays for new housing, which rose very sharply in 1958, by 25 per cent, have been moving downward through the first three quarters of 1959; for the year thus far they have been at an average rate very close to the first nine months of 1958. Imports of goods and services, which fell sharply during the recession period, have been rising since the latter part of 1958; in the first three quarters of 1959, they were running about 10 per cent above the same period a year earlier. Personal expenditure on goods and services has shown a slightly greater increase in 1959 than in the earlier comparison, and with prices up more moderately, the volume of consumption has shown a more pronounced gain than in 1958. However, government expenditure on goods and services has risen less sharply this year, by only 5 per cent compared with 7 per cent in 1958. Taken together, these shifts in the pattern of the nation's total expenditure have produced a Gross National Product in 1959 which has so far averaged about 7 per cent above the level of the first nine months of 1958, compared with a gain of only 2 per cent between 1957 and 1958.

The flow of income to the personal, business, and government sectors has also been marked by changes in the trend of important income components and by shifts in the compositional pattern of the income aggregates. Transfer payments, which rose by 27 per cent between 1957 and 1958, made a much smaller contribution to the gain in personal income in 1959. The reverse is true of labour income, which showed only



a small change between 1957 and 1958 but rose sharply in 1959, accounting for a much greater proportion of the increase in total personal income than in the previous year. While corporation profits have shown little change over the first three quarters of 1959, they were at an average rate about 20 per cent above the same period one year earlier; this compares with a decline of 3 per cent in 1958.

The shift in the pattern of profits, labour income, and transfer payments has been largely responsible for the differing rates of change between national income and personal income in the two periods. In 1958, national income was affected by the small rise in labour income and the drop in profits, and showed only a 3 per cent gain; personal income advanced by 6 per cent, reflecting the sharp rise in transfer payments. In 1959, with profits and labour income showing substantial gains and transfer payments showing, the advances in national income and in personal income have been close.

<u>And</u>	<u>Changes in Major Income Components</u>	
	Percentage Changes	
	<u>1957</u> to <u>1958</u>	<u>First 3 Quarters 1958</u> to <u>First 3 Quarters 1959</u>
<u>Selected Personal and Business</u> <u>Income Components</u>		
Wages, Salaries, and Supplementary Labour Income ....	2.7	7.9
Transfer Payments .....	27.0	7.0
Personal Income .....	5.9	7.2
Corporation Profits .....	-2.8	20.3
Rents, Interest, and Miscellaneous Investment Income.	6.4	7.7
Net Income of Non-Farm Unincorporated Business .....	5.4	2.9
Accrued Net Income of Farm Operators from Farm		
Production .....	16.2	3.5
National Income .....	3.4	7.6
<u>Selected Government Revenues</u> (All levels of government)		
Direct Personal Taxes .....	-6.6	15.3
Corporation Tax Liabilities .....	-3.5	20.8
Indirect Taxes .....	0.9	9.2

The current period of expansion has been characterized by a marked recovery in the tax revenues collected by or accruing to the government sector, reflecting the recovery in profits, higher employment and earnings, a higher level of imports, sales and shipments, and increases in tax rates. The changes in government revenues from the three major tax sources for all levels of government combined are shown in the table above.

#### Value, Volume, Price Comparisons

Taking the change in the price of all components together, it is estimated that the price element of total Gross National Expenditure was higher in 1959 by about 2 per cent. The value, volume and price components of each of the main expenditure categories are shown in the accompanying table.

Percent Changes, Value, Volume and Price

	<u>First 9 Months 1959</u> <u>First 9 Months 1958</u>			<sup>1.</sup> <u>Price Change</u> <u>Year 1958</u> <u>Year 1957</u>
	<u>Value</u>	<u>Volume</u>	<u>Price</u> <sup>1.</sup>	
Personal Expenditure .....	6.0	4.8	1.1	2.5
Goods .....	5.3	5.1	0.3	1.8
Non-Durable .....	4.5	4.8	-0.1	2.0
Durable .....	8.3	6.1	2.0	1.4
Services .....	7.3	4.3	2.9	3.6
Government Expenditure .....	5.3	2.1	2.4	2.4
Gross Fixed Capital Formation ..	2.6	-0.4	3.0	2.2
New Residential Construction..	0.9	-3.1	4.2	2.5
New Non-Residential Construction	-2.4	-5.1	2.6	1.2
New Machinery and Equipment...	9.8	7.0	2.6	2.7
Exports of Goods and Services...	4.6	2.2	1.5	-0.4
Imports of Goods and Services...	9.5	10.1	-0.4	1.1
Gross National Expenditure .....	7.1	4.7	2.2	2.1

1. The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The latter are weighted by changes in the expenditure pattern over time. A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

It will be apparent that final product prices have continued to drift upward slightly between 1958 and 1959, and that in the over-the-year comparisons, the advance has been about the same as that which occurred between 1957 and 1958. The rise in the price of consumer goods and services in 1959 was small, and amounted to less than half the price rise of the 1957-1958 period, but this development was accompanied by a somewhat larger increase in the price of capital goods and in exports. Prices of imported goods declined, reflecting for the most part a more favourable rate of exchange on the Canadian dollar.

Production and Employment

As has been noted, the expansion in the physical volume of production which has been in progress for several quarters, was interrupted in the third quarter of 1959. Seasonally adjusted production data reflect, in general, small and largely offsetting movements between the second and third quarters of 1959. One of the contributing factors to this pause in overall expansion was the major work stoppage in the primary wood and wood fabricating industries in British Columbia. It is probable that durable manufacturing, which declined by 1.5 per cent in the third quarter, would have shown some increase had the wood industries not been so affected. The iron and steel group, and non-metallic mineral products showed a continued and substantial advance. However, there were weaknesses in other segments of durable manufacturing production in the third quarter, notably non-ferrous metals and transportation equipment. Non-durable manufacturing was also off, by 0.6 per cent, with



decreases reflected in nearly every major industry component, including foods, tobacco, rubber products, textiles and clothing, and products of petroleum and coal. There were some losses outside of manufacturing as well; construction showed some decline, while trade and some of the other service producing industries reflected fractional losses. On balance neither the total goods nor the total services producing industries reflected any significant change in the third quarter.

In a comparison of the first three quarters of this year with the same period of 1958, overall real output was higher by about 5 per cent; this increase reflects gains in all major industry groups with the exceptions of construction and fishing. In spite of the losses in these two groups, however, the total output of goods producing industries rose in excess of 5 per cent. Total service industry volume was up somewhat less than 5 per cent in total and reflected gains of about this same amount in all group components.

Among the primary industries to reflect gains, agriculture showed the smallest increase (about 4 1/2 per cent); this estimate is based on the assumptions that the crop now under snow in the west will be harvested and will be of average quality. Mining production was up nearly 9 per cent in spite of decreases in gold, zinc and coal, the latter being off about 10 per cent. The most substantial gains within mining occurred in the output of iron ore (20 per cent), uranium (25 per cent), natural gas (27 per cent), crude petroleum (12 per cent) and asbestos (13 per cent). The completion of major pipeline distributing facilities has been the basic factor in the sharp rise in output of natural gas. Electric power utility operation rose a more moderate 9 per cent. Primary forest operations showed an increase of 7 per cent over the previous year.

Manufacturing production in the first three quarters of 1959 was 6.7 per cent higher than in the same period of 1958; durable manufacturing rose 7.0 per cent and non-durables advanced 6.4 per cent. While there was significantly lower production in some individual industries, every major industry group either registered some increase in output or showed no change. The highest rates of increase were in rubber products (23 per cent), textiles (16 per cent), iron and steel (15 per cent), non-metallic mineral products (12 per cent) and products of petroleum and coal (12 per cent). Although the year 1959 reflected widespread gains over 1958 levels, on a seasonally adjusted basis the manufacturing index in the third quarter was at approximately the same level as the fourth quarter 1956 peak. In this same comparison, non-durable manufacturing was above the peak by about 6 per cent, but durables were still below it by 7 per cent.

Turning to consider the trends in employment associated with the changes in production described above, the fractional decline in non-farm output in the third quarter was accompanied by a further expansion in employment. The number of persons with jobs in the non-farm sector averaged 5,233 thousand, about 1 1/2 per cent higher than in the second quarter, on a seasonally adjusted basis. That segment of employment covered by the industrial composite index remained unchanged.

In the first nine months of 1959, the total number of persons with jobs averaged 5,853 thousand, about 2 1/2 per cent higher than in the same period of 1958; those with jobs in the non-farm sector averaged 5,147 thousand, about 3.5 per cent higher than a year earlier. These gains in employment compare with increases in total and in non-farm output of slightly more than 5 per cent, which implies an improvement in output per worker between the two periods. The number of persons without jobs and seeking work fell from 6.8 per cent of the labour force in the first nine months of 1958 to 5.9 per cent in the same period of this year.



### Gross Fixed Capital Formation

The present estimates of gross fixed capital formation incorporate a number of revisions to data for the first and second quarters of 1959. Owing to a change in field reporting procedures, the number of housing completions in the first half of 1959 was under-stated, and a substantial upward revision to the housing figures has been made to take account of the under-estimate. At the same time, the second quarter estimate for non-residential construction has been scaled downward by roughly one-half of the amount of the upward revision to the housing figure. More recent information on commodity imports indicates that business outlays for new machinery and equipment were higher in the second quarter than originally estimated, and this figure has been revised upward. With these revisions incorporated, the advance in total plant and equipment outlays between the first and second quarters, seasonally adjusted, is estimated to be about 5 per cent. The advance has continued into the third quarter, although at a more moderate rate. Housing outlays in the third quarter continued to edge downward.

Present National Accounts estimates of outlays for new housing indicate that in the first nine months of this year the value of housing put in place has been at an average rate very close to last year's annual figure of \$1.8 billion. The upward trend in housing starts which began early in 1957 was reversed in 1959 following a reduction in government aid to housing in the first part of the year, and as competing demands for private credit affected the level of activity in the industry. With an increase in government aid in the fourth quarter, it appears that the value of housing in 1959 will approximate the level suggested by the mid-year forecast of investment intentions last June.

Non-residential construction in the first nine months of this year has been running at an average rate very slightly below last year's annual total of \$2.8 billion, and the figures have shown a slightly rising trend since the beginning of the year. At the present time, the estimates are running closely in line with the mid-year forecast which suggested that the level of non-residential construction in 1959 would be about 1.5 per cent below the 1958 figure.

Outlays for machinery and equipment, which have been on a rising trend since the middle of 1958, have been running at an average rate close to 10 per cent above last year's annual figure in the first three quarters of 1959. Imports of machinery and equipment have been rising vigorously, particularly in the second quarter when they advanced by 17 per cent; on average the import content of investment in machinery and equipment has varied between 40 and 50 per cent of the total. At the present time, the National Accounts quarterly estimates of machinery and equipment are running considerably ahead of the mid-year forecast, although the record suggests a tendency for the quarterly estimates to over-state the survey results in this area.

### Investment in Business Inventories

An accelerated rate of investment in business inventories was an important supporting element to the level of economic activity in the third quarter. The build-up of stocks rose to an annual rate of \$324 million, twice as high as in the second quarter but below the level of the first quarter.

Change in Business Inventories

(S.A.A.R.)

(\$ millions)

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>
Manufacturing .....	84	-44	148
Wholesale .....	-12	152	28
Retail .....	292	4	136
Other .....	40	48	12
Total .....	404	160	324

The increased accumulation took place in manufacturing industries and retail trade; in wholesale trade the rate of re-stocking was sharply reduced. In all three groups the ratio of stocks to shipments or sales was slightly higher than at the end of the previous quarter.

Manufacturing industries, which had been liquidating stocks in the second quarter, shifted to a moderate rate of accumulation in the third. All of the build-up took place in the durable goods industries, particularly in iron and steel, wood, and transportation equipment; however, stocks of non-ferrous metals continued to be depleted, but at a lower rate. Among the non-durable group, the food and petroleum industries built up stocks moderately, but liquidation took place in the group as a whole.

Retailers, whose stocks had shown little change in the second quarter, built up their inventories considerably in the third. A major part of this accumulation was in the hands of motor vehicle dealers, reflecting the decline in sales of new passenger cars, and a higher level of imports of European and British models. The rest of the accumulation in retail trade was mainly in stocks of food and apparel.

The modest accumulation of stocks in wholesale trade was mainly in machinery and equipment and iron and steel.

During the first three quarters of 1959 business inventories have been built up at an annual rate of \$0.3 billion, in contrast to a liquidation of \$0.3 billion in the year 1958. This shift amounts to an additional demand on domestic production and imports of \$0.6 billion.

Exports and Imports of Goods and Services

Exports of goods and services, which had risen sharply in the second quarter of 1959, remained virtually unchanged in the third quarter. The estimate of \$6.6 billion for the total, seasonally adjusted at annual rates, involves about the same distribution between receipts from goods and receipts from services as in the second quarter. The pattern of merchandise exports was somewhat altered between the two quarters, with significantly lower shipments of wood and wood products and animal products offset by increased sales of non-ferrous metals and some other groups, on a seasonally adjusted basis.



Imports of goods and services continued to rise for the fifth successive quarter, reaching a seasonally adjusted annual rate of \$8.1 billion, 2 1/2 per cent higher than in the preceding period. Merchandise trade and service transactions were of equal importance in accounting for the increase in total payments. The increases in merchandise trade were fairly general for most groups and followed fairly closely the pattern of widespread gains characteristic of the first half of the year.

In consequence of the movements described above, the deficit on current international account rose to an annual rate of \$1.5 billion, a little more than \$200 million higher than in the second quarter, and \$400 million above the 1958 average.

Turning to consider the changes in external transactions in the first nine months of the year, the outstanding development is the growth in the size of the deficit. The excess of payments over receipts rose from \$0.8 billion to \$1.1 billion. Of this deficit, \$0.7 billion arises from non-merchandise items, which is not markedly higher than in the same period of 1958. Thus the major part of the change between this year and last is attributable to an increase in merchandise imports without a commensurate expansion in merchandise exports.

Merchandise exports in the first nine months of the year were above those of the same period of 1958 by 3 per cent. Trends in important commodities diverged widely. Gains occurred in shipments of several forest products, uranium, iron ore, farm machinery and asbestos, while sales of wheat and other grains, cattle, nickel, aluminum, crude petroleum and aircraft declined.

Reflecting the progress of recovery in Canada, merchandise imports in the first eight months of the year were 11 per cent higher than in the same period a year ago. Gains were widespread among the various commodity groups. Imports of producers' materials responded to the higher level of industrial production and significant increases occurred in industrial machinery and equipment. Farm implements, automobiles, and many consumer goods were also prominent among the items recording gains.

#### Government Expenditure on Goods and Services

Government expenditures on goods and services fell to a seasonally adjusted annual rate of \$6.4 billion in the third quarter, 2.5 per cent lower than in the second quarter. This total is the result of an estimated drop in Federal Government expenditures of approximately 5 per cent and an increase of 3 per cent in the combined expenditures of provincial and municipal governments.

Federal Government expenditures both for defence and other purposes dropped in the third quarter, the major part of this decline being in defence outlays. An important factor in the decline in non-defence expenditures was a smaller accumulation of inventories held by the Agricultural Stabilization Board. The decline in defence expenditures reflected lower procurement of a variety of defence items.

In the nine months' comparison, government expenditures were higher by about 5 1/2 per cent. Most of this increase was in the expenditures of provincial and municipal governments. The decline of 5 per cent in defence expenditures partially offset a substantial rise in non-defence expenditures, leaving Federal Government outlays for goods and services higher by 2 per cent.



## Personal Expenditure on Consumer Goods and Services

Consumer expenditure continued to rise in the third quarter, reaching a seasonally adjusted annual rate of \$22.2 billion, nearly 1 per cent higher than in the second quarter. Gains in consumer spending have all been modest thus far this year but the third quarter change was somewhat larger than in the preceding quarter.

All of the third quarter advance in personal expenditure is attributable to services since the expansion in outlays for non-durable goods was fully offset by a decline in purchases of durable goods.

The increase in outlays for non-durable goods in the third quarter amounted to 1 per cent. Increases occurred in purchases of food, clothing, and items related to automobile transportation, partially offset by lower purchases of other non-durable goods.

Spending on durables fell by 4 1/2 per cent in the third quarter, the main element being a 9 per cent drop in purchases of new and used cars. Purchases of furniture and appliances also declined, although to a lesser degree.

The increase in expenditure on services in the third quarter was more than 2 per cent. The second quarter estimate for this category was unusual by reason of a big decline in net expenditures abroad. Disregarding the effect of changes in net expenditure abroad, the increase in expenditure on services in the third quarter was over 1 per cent, which is more or less in line with the quarter-to-quarter increases characteristic of this category in recent years.

In the first three quarters of the year consumer expenditure was 6 per cent higher than in the same period of 1958, of which 1 per cent represents higher prices. This implies a considerable increase in real per capita consumption, the first significant year-to-year gain since 1956.

The nine months' comparison shows a shift in the pattern of expenditure toward durables and services and away from non-durables. Purchases of durables rose more than 8 per cent, of services more than 7 per cent and of non-durables 4 1/2 per cent.

The rise in consumer spending has fallen short of the increase in disposable consumer income in the nine months' comparison, thus continuing the tendency for high rates of personal saving which was a notable development last year.

## Labour Income

Labour income in the third quarter is estimated at \$17.7 billion at seasonally adjusted annual rates, fractionally higher than in the second quarter. This small increase is partly a reflection of the incidence of industrial disputes during the summer months. Thus by September, when the strike in the woods industry in British Columbia had been settled, labour income had risen to a seasonally adjusted annual rate of \$17.9 billion. The changes in labour income in the major industries were small and virtually offsetting; forestry, where income fell sharply, was an important exception.

In the first nine months of the year labour income was higher than a year ago by 8 per cent. In the same comparison, the number of employed paid workers, as measured by the Labour Force Survey, increased by 3.5 per cent. At the same time, the work week has lengthened a little, as evidenced by a 1 per cent increase in hours of work in manufacturing. Thus, an appreciable part of the growth in labour income in 1959 reflects the continued upward trend of wage rates.

All industries except fishing and trapping recorded gains in the nine months' comparison. The increases continued to be relatively large in the service producing group. For example, the rise in labour income in services proper 1/ amounted to about 14 per cent, one of the largest recorded in any industry. Labour income in manufacturing rose by about 5 per cent. In mining, where the level of employment was significantly lower than a year ago, labour income rose only 3 per cent.

### Corporate Profits

Corporate profits as estimated for National Income purposes, that is, after deduction of dividends paid abroad, rose slightly in the third quarter. At \$2.9 billion, this component was 2 per cent higher than in the second quarter. However, dividends paid abroad were considerably lower; corporate profits, including dividends paid abroad, were virtually unchanged. The sharp increases in corporate profits in the last two quarters of 1958 had come close to restoring the peak level reached in the third quarter of 1956. Thus far in 1959 profits have held close to the relatively high level reached at the end of last year.

Among the manufacturing industries, profits in iron and steel and wood and paper products showed wide swings between the second and third quarters. Profits in iron and steel were presumably favourably affected by the work stoppage in the United States steel industry while the strike in the logging and lumbering industry in British Columbia adversely affected profits in wood and paper products. Profits were also down significantly in the food and beverage, and textile divisions of manufacturing, as well as in retail trade. Changes in amounts of capital cost allowances charged affected the profits of particular industries. This was a factor in the fairly pronounced rise in profits in mining, quarrying and oil wells, and also in the equally pronounced decline in profits in transportation, communication and storage. Including capital cost allowances, profits in these industries were relatively unchanged.

The first nine months' comparison clearly reveals the effect of business recovery on the level of corporate profits. Almost all industries contributed to the 20 per cent gain in total. Within manufacturing, increases were general, with gains of 40 per cent in textile products; 34 per cent in iron and steel; 23 per cent in chemical products; 17 per cent in electrical apparatus and supplies; and 17 per cent in wood and paper products. While profits in mining, quarrying and oil wells recovered some lost ground (up 23 per cent), they were still well below the level of 1956. The highest rate of increase in any major industry group, about 42 per cent, was in transportation, communication and storage, a contributing factor in this increase being the new facilities for the transmission of oil and gas.

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1/ Including community, business, personal and recreational services.



TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1958-1959  
(millions of dollars)

	1958					1959		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	3,864	4,104	4,252	4,214	16,434	4,170	4,440	4,580
2. Military Pay and Allowances .....	117	126	125	123	491	118	129	127
3. Corporation Profits before Taxes <sup>1</sup> .....	462	662	685	666	2,475	573	813	791
4. Rent, Interest, and Miscellaneous Investment Income .....	465	473	533	555	2,026	525	521	539
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	10	133	877	137	1,157	11	146	899
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	431	533	551	604	2,119	457	556	546
7. Inventory Valuation Adjustment <sup>4</sup> .....	-18	10	16	-37	-29	-30	-34	-59
8. NET NATIONAL INCOME AT FACTOR COST .....	5,331	6,041	7,039	6,262	24,673	5,824	6,571	7,423
9. Indirect Taxes less Subsidies .....	944	962	963	989	3,858	991	1,047	1,069
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	955	1,002	979	987	3,923	963	1,075	1,051
11. Residual Error of Estimate .....	-141	-40	120	116	55	-119	-102	82
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,089	7,965	9,101	8,354	32,509	7,659	8,591	9,625
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) (7,079) (7,832) (8,224) (8,217) (31,352) (7,648) (8,445) (8,726)								

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1958-1959  
(millions of dollars)

	1958					1959		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services .....	4,818	5,218	5,170	5,806	21,012	5,149	5,517	5,452
2. Government Expenditure on Goods and Services <sup>1,4</sup> .....	1,334	1,443	1,761	1,612	6,150	1,433	1,543	1,804
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	1,397	1,862	1,895	1,745	6,899	1,370	1,936	1,984
4. New Residential Construction .....	301	457	494	510	1,762	322	462	479
5. New Non-Residential Construction .....	537	720	853	703	2,813	508	701	851
6. New Machinery and Equipment .....	559	685	548	532	2,324	540	773	654
7. Value of Physical Change in Inventories <sup>3</sup> .....	-331	-272	582	-403	-424	-22	-87	741
8. Non-Farm Business Inventories .....	-24	-153	-63	-36	-276	278	-13	41
9. Farm Inventories and Grain in Commercial Channels .....	-307	-119	645	-367	-148	-300	-74	700
10. Exports of Goods and Services .....	1,378	1,607	1,645	1,659	6,289	1,343	1,727	1,772
11. Deduct: Imports of Goods and Services .....	-1,649	-1,932	-1,832	-1,948	-7,361	-1,734	-2,147	-2,045
12. Residual Error of Estimate .....	142	39	-120	-117	-56	120	102	-83
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES ....	7,089	7,965	9,101	8,354	32,509	7,659	8,591	9,625

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

4. Includes defence expenditures of:

1958					1959		
I	II	III	IV	Year	I	II	III
472	377	404	408	1,661	458	357	371



TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1958-1959  
(millions of dollars)

	1958				Year	1959		
	I	II	III	IV		I	II	III
1. Wages, Salaries, and Supplementary Labour Income	3,864	4,104	4,252	4,214	16,434	4,170	4,440	4,580
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-154	-151	-157	-157	-619	-162	-155	-166
3. Military Pay and Allowances .....	117	126	125	123	491	118	129	127
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	30	140	868	123	1,161	30	170	888
5. Net Income of Non-Farm Unincorporated Business..	431	533	551	604	2,119	457	556	546
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	493	546	538	552	2,129	541	578	579
Transfer Payments to Persons:								
7. From Government (Excluding Interest) .....	768	631	590	651	2,640	824	679	626
8. Charitable Contributions by Corporations .....	7	9	10	10	36	8	11	11
9. PERSONAL INCOME .....	5,556	5,938	6,777	6,120	24,391	5,986	6,408	7,191

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1958-1959  
(millions of dollars)

	1958				Year	1959		
	I	II	III	IV		I	II	III
1. Personal Direct Taxes: .....	455	433	440	463	1,791	460	529	522
2. Income Taxes .....	380	376	392	405	1,553	377	446	452
3. Succession Duties .....	34	34	27	31	126	35	30	30
4. Miscellaneous .....	41	23	21	27	112	68	53	40
5. Personal Expenditure on Consumer Goods and Services: .....	4,818	5,218	5,170	5,806	21,012	5,149	5,517	5,452
6. Non-Durable Goods .....	2,438	2,615	2,665	3,142	10,860	2,564	2,706	2,798
7. Durable Goods .....	537	687	600	675	2,499	582	767	626
8. Services <sup>1</sup> .....	1,843	1,916	1,905	1,989	7,653	2,003	2,044	2,028
9. Personal Net Saving: .....	283	287	1,167	-149	1,588	357	362	1,217
10. Personal Saving Excluding Change in Farm Inventories .....	545	380	556	222	1,703	634	415	560
11. Value of Physical Change in Farm Inventories..	-262	-93	611	-371	-115	-277	-53	657
12. PERSONAL INCOME .....	5,556	5,938	6,777	6,120	24,391	5,986	6,408	7,191
13. (Personal Disposable Income) <sup>2</sup> .....	(5,101)	(5,505)	(6,337)	(5,657)	(22,600)	(5,506)	(5,879)	(6,669)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1958-1959  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

17.

	1958					1959		
	I	II	III	IV	Year	I	II	III
1. Wages, Salaries, and Supplementary Labour Income	16,144	16,360	16,460	16,772	16,434	17,424	17,672	17,728
2. Military Pay and Allowances	496	500	476	492	491	500	508	496
3. Corporation Profits before Taxes <sup>1</sup>	2,312	2,272	2,456	2,860	2,475	2,796	2,800	2,856
4. Rent, Interest, and Miscellaneous Investment Income	1,864	1,932	2,124	2,184	2,026	2,100	2,144	2,148
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup>	1,132	1,244	1,220	1,032	1,157	1,216	1,196	1,216
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup>	2,068	2,064	2,120	2,224	2,119	2,144	2,180	2,132
7. Inventory Valuation Adjustment	-72	40	64	-148	-29	-120	-136	-236
8. NET NATIONAL INCOME AT FACTOR COST	23,944	24,412	24,920	25,416	24,673	26,060	26,364	26,340
9. Indirect Taxes less Subsidies	3,856	3,800	3,812	3,964	3,858	4,028	4,140	4,240
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments	3,972	3,936	3,880	3,904	3,923	3,996	4,184	4,184
11. Residual Error of Estimate	-64	140	152	-8	55	0	-72	-40
12. GROSS NATIONAL PRODUCT AT MARKET PRICES	31,708	32,288	32,764	33,276	32,509	34,084	34,616	34,724
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators)	(30,576)	(31,044)	(31,544)	(32,244)	(31,352)	(32,868)	(33,420)	(33,508)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1958-1959  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1958					1959		
	I	II	III	IV	Year	I	II	III
1. Personal Expenditure on Consumer Goods and Services <sup>1</sup>	20,612	20,732	21,012	21,692	21,012	21,944	22,008	22,196
2. Government Expenditure on Goods and Services	5,960	6,144	6,204	6,292	6,150	6,416	6,540	6,376
3. Business Gross Fixed Capital Formation <sup>2</sup>	6,928	6,868	6,876	6,924	6,899	6,856	7,128	7,200
4. New Residential Construction	1,644	1,736	1,792	1,876	1,762	1,760	1,752	1,720
5. New Non-Residential Construction	2,876	2,876	2,804	2,696	2,813	2,744	2,784	2,792
6. New Machinery and Equipment	2,408	2,256	2,280	2,352	2,324	2,352	2,592	2,688
7. Value of Physical Change in Inventories	-920	-416	-16	-344	-424	300	184	436
8. Non-Farm Business Inventories	-700	-368	-56	20	-276	404	160	324
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup>	-220	-48	40	-364	-148	-104	24	112
10. Exports of Goods and Services	6,308	6,340	6,100	6,408	6,289	6,292	6,604	6,596
11. Deduct: Imports of Goods and Services	-7,248	-7,240	-7,256	-7,700	-7,361	-7,720	-7,924	-8,120
12. Residual Error of Estimate	68	-140	-156	4	-56	-4	76	40
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES	31,708	32,288	32,764	33,276	32,509	34,084	34,616	34,724

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. Detail: Farm Inventories -

	1958					1959		
	I	II	III	IV	Year	I	II	III
Value of grain crop production		860	860	860	860	860	880	884
Depletions of farm stocks of grain	-1,008	-1,028	-908	-1,040	-996	-1,040	-820	-844
Change in livestock inventories	-12	196	72	-172	21	40	4	20
Grain in Commercial Channels	-60	-76	16	-12	-33	16	-44	52

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1958-1959  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1958				Year	1959		
	I	II	III	IV		I	II	III
1. Wages, Salaries, and Supplementary Labour Income	16,144	16,360	16,460	16,772	16,434	17,424	17,672	17,728
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds..	-608	-616	-624	-628	-619	-640	-632	-660
3. Military Pay and Allowances .....	496	500	476	492	491	500	508	496
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,160	1,220	1,248	1,016	1,161	1,208	1,256	1,228
5. Net Income of Non-Farm Unincorporated Business..	2,068	2,064	2,120	2,224	2,119	2,144	2,180	2,132
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	2,064	2,108	2,224	2,120	2,129	2,276	2,240	2,400
Transfer Payments to Persons:								
7. From Government (Excluding Interest) .....	2,484	2,624	2,600	2,852	2,640	2,680	2,828	2,784
8. Charitable Contributions by Corporations .....	36	32	36	40	36	40	40	40
9. PERSONAL INCOME .....	23,844	24,292	24,540	24,838	24,391	25,632	26,092	26,148

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1958-1959  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1958				Year	1959		
	I	II	III	IV		I	II	III
1. Personal Direct Taxes: .....	1,828	1,684	1,800	1,852	1,791	1,900	2,084	2,152
2. Income Taxes .....	1,600	1,460	1,568	1,584	1,553	1,588	1,732	1,808
3. Succession Duties .....	128	128	124	124	126	140	120	120
4. Miscellaneous .....	100	96	108	144	112	172	232	224
5. Personal Expenditure on Consumer Goods and Services: .....	20,612	20,732	21,012	21,692	21,012	21,944	22,008	22,196
6. Non-Durable Goods .....	10,720	10,760	10,828	11,132	10,860	11,180	11,224	11,348
7. Durable Goods .....	2,496	2,424	2,424	2,652	2,499	2,716	2,728	2,604
8. Services <sup>1</sup> .....	7,396	7,548	7,760	7,908	7,653	8,048	8,056	8,244
9. Personal Net Saving: .....	1,404	1,876	1,728	1,344	1,588	1,788	2,000	1,800
10. PERSONAL INCOME .....	23,844	24,292	24,540	24,888	24,391	25,632	26,092	26,148
11. (Personal Disposable Income) <sup>2</sup> .....	(22,016)	(22,608)	(22,740)	(23,036)	(22,600)	(23,732)	(24,008)	(23,996)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS, BY QUARTERS, 1958-1959  
 UNADJUSTED FOR SEASONALITY<sup>1,2</sup>  
 (millions of dollars)

	1958				Year	1959		
	I	II	III	IV		I	II	III
1. Personal Expenditure on Consumer Goods and Services .....	3,769	4,072	4,031	4,531	16,403	3,961	4,273	4,210
2. Non-Durable Goods .....	2,094	2,229	2,271	2,682	9,276	2,189	2,332	2,391
3. Durable Goods .....	464	589	527	577	2,157	491	643	542
4. Services .....	1,211	1,254	1,233	1,272	4,970	1,281	1,298	1,277
5. Government Expenditure on Goods and Services .....	863	930	1,154	1,030	3,977	903	962	1,145
6. Business Gross Fixed Capital Formation .....	953	1,271	1,288	1,174	4,686	912	1,280	1,307
7. New Residential Construction .....	212	317	341	349	1,219	219	307	317
8. New Non-Residential Construction .....	359	482	571	465	1,877	332	456	552
9. New Machinery and Equipment .....	382	472	376	360	1,590	361	517	438
10. Change in Inventories .....	-351	-340	773	-448	-366	-119	-166	910
11. Non-Farm Business Inventories .....	6	-108	-43	-37	-182	219	-7	28
12. Farm Inventories and Grain in Commercial Channels .....	-357	-232	816	-411	-184	-338	-159	882
13. Exports of Goods and Services .....	1,179	1,383	1,402	1,444	5,408	1,136	1,450	1,464
14. Deduct: Imports of Goods and Services .....	-1,364	-1,629	-1,555	-1,659	-6,207	-1,461	-1,813	-1,732
15. Residual Error of Estimate .....	104	29	-88	-86	-41	87	73	-59
15. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,153	5,716	7,005	5,986	23,860	5,419	6,059	7,245

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

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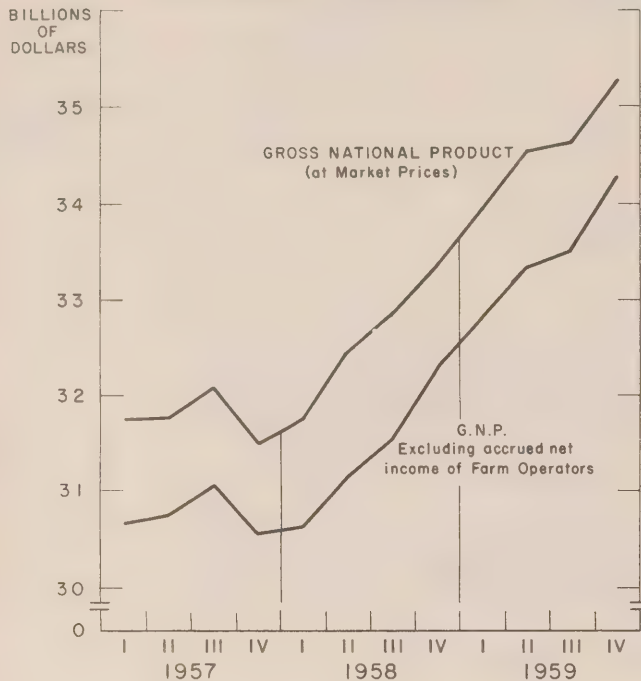
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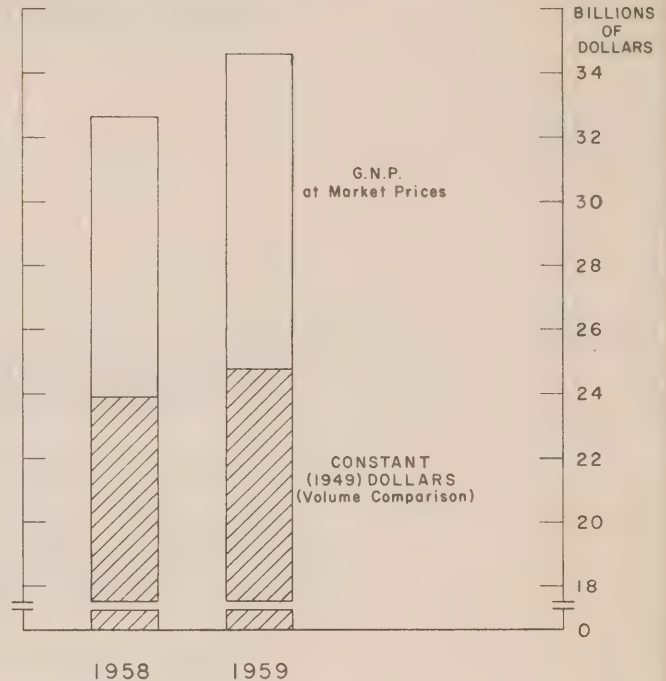


GROSS NATIONAL PRODUCT SHOWED A  
MARKED RISE IN 1959  
FOLLOWING THE UPSWING  
WHICH BEGAN IN 1958

(DATA SEASONALLY ADJUSTED AT ANNUAL RATES)

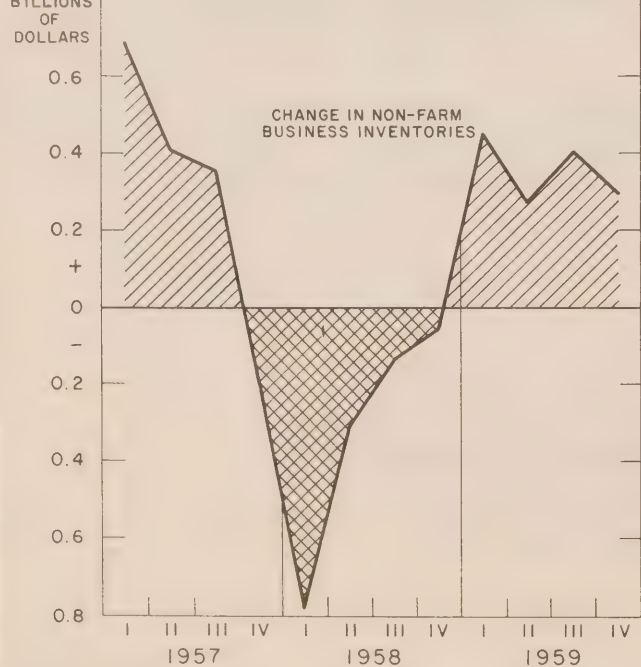


THE VALUE INCREASE FOR THE YEAR  
AS A WHOLE WAS ABOUT 6 PER CENT  
OVER 1958, WITH THE VOLUME OF PRODUCTION  
UP BY ABOUT 4 PER CENT



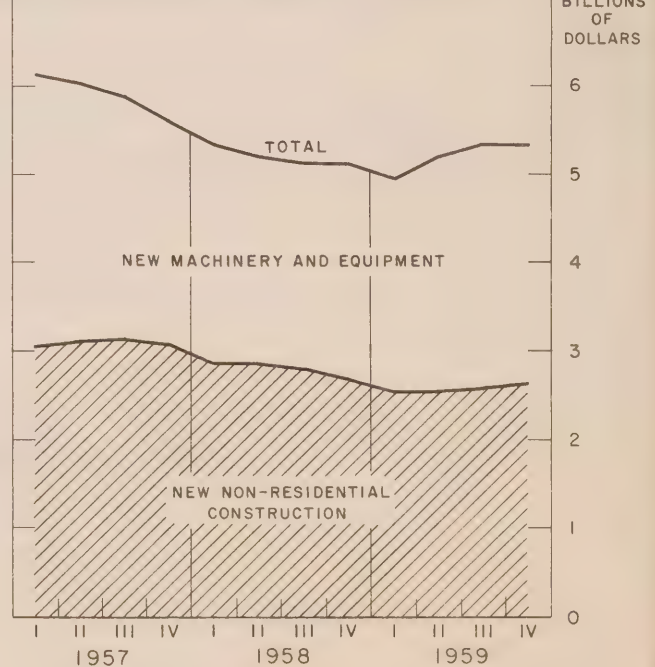
THE SWING IN BUSINESS INVENTORIES FROM  
LIQUIDATION IN 1958 TO ACCUMULATION  
IN 1959 CONTRIBUTED SUBSTANTIALLY TO THE  
INCREASE IN GROSS NATIONAL PRODUCT

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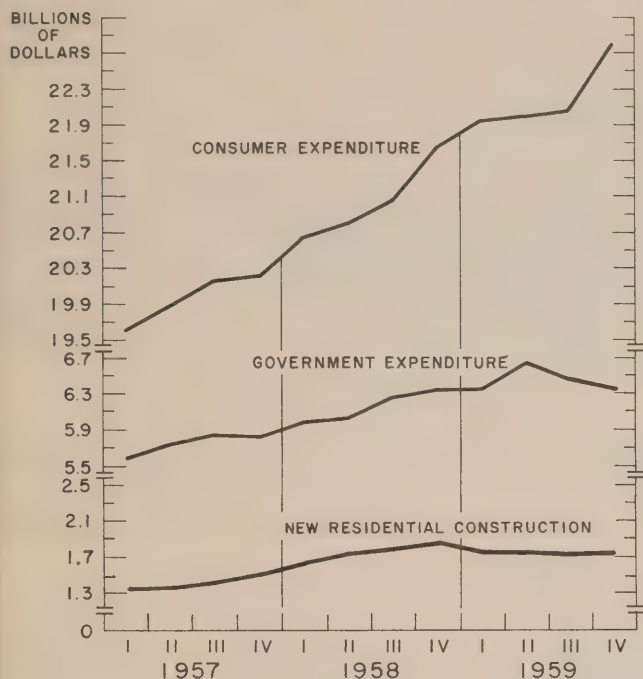


THE TWO-YEAR DOWNTREND OF BUSINESS  
OUTLAYS FOR PLANT AND EQUIPMENT  
WAS REVERSED IN THE EARLY  
PART OF 1959

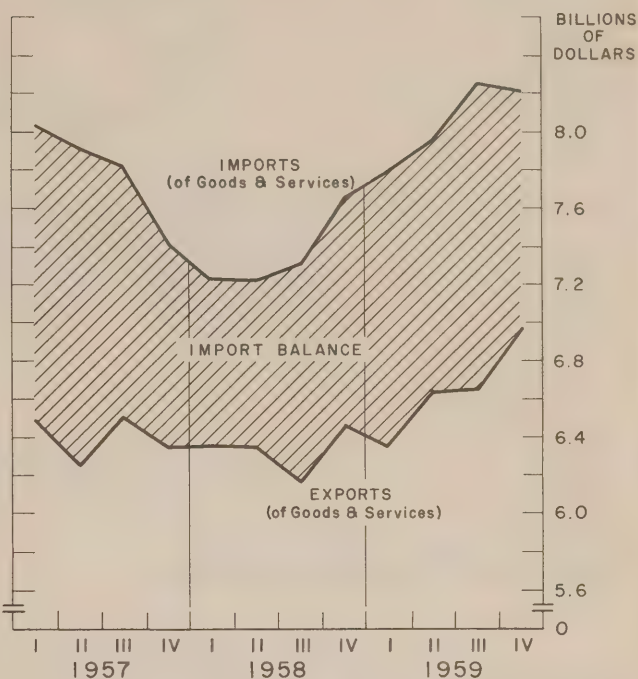
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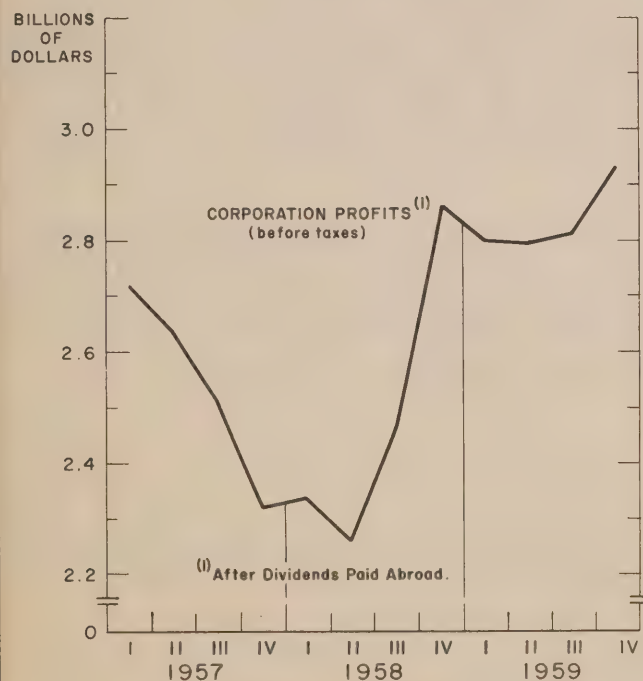
CONSUMER EXPENDITURE CONTINUED TO PROVIDE STRENGTH ON THE DEMAND SIDE. HOWEVER, THE UPWARD TRENDS IN HOUSING AND GOVERNMENT EXPENDITURE WERE INTERRUPTED DURING THE PERIOD



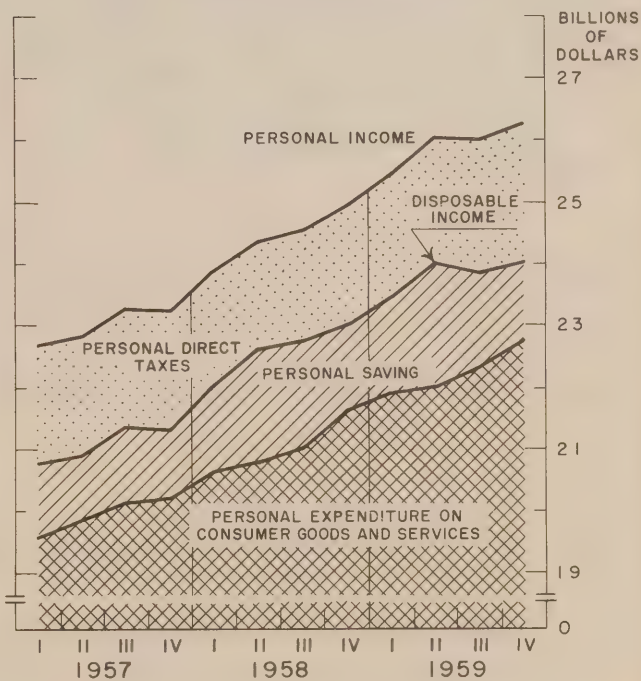
EXPORTS ROSE SUBSTANTIALLY, BUT THE RISE WAS ACCOMPANIED BY A MUCH SHARPER INCREASE IN IMPORTS, WITH A CONSEQUENT WIDENING OF THE DEFICIT



CORPORATION PROFITS LEVELLED OFF IN 1959, FOLLOWING THE SHARP UPSWING IN THE LAST HALF OF 1958



PERSONAL INCOME SHOWED A YEAR-TO-YEAR GAIN OF 6 PER CENT, WHICH WAS LARGELY ABSORBED BY THE RISE IN CONSUMER EXPENDITURES AND DIRECT TAXES



(ALL DATA AT SEASONALLY ADJUSTED ANNUAL RATES)

## INTRODUCTORY REVIEW

(This report incorporates revisions to data for 1958 and 1959, based mainly on new information from "Private and Public Investment in Canada - Outlook 1960". See also Technical Note on page 18).

### The Year 1959 - Annual Review

The recovery in Gross National Product, which began in 1958 as the economy emerged from a mild recession, continued during 1959. The upswing carried the Gross National Product to new levels in the first half of the year, but moderated in the third quarter when the expansion was checked by a combination of factors associated in large part with industrial disputes in Canada and the United States. In the fourth quarter the advance was resumed, with a further gain in the value of the nation's total output of goods and services of about 2 per cent from the preceding quarter, seasonally adjusted. For the year as a whole, the Gross National Product averaged about 6 per cent above the year 1958, and with final product prices higher by about 2 per cent, it is estimated that the physical volume of output in 1959 was about 4 per cent above that of the preceding year. <sup>1/</sup> This compares with virtually no change in the physical volume of output in 1957 and 1958, and with a post-war average increase of 4 per cent per year.

The increase in output in 1959 was accompanied by broad changes in the composition of the nation's income and outlay. Over the course of the year, reversals in trend occurred in a number of major categories of demand, and the pattern of the nation's total expenditure showed a marked change. The following table provides some perspective on the nature and magnitude of these shifts in terms of year-to-year percentage changes.

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<sup>1/</sup> The figures include the value of the 1959 grain crop, which is estimated to be about 7 per cent above the year 1958. However, the full effect of adverse weather conditions which delayed grain harvesting in the Prairie Provinces cannot yet be evaluated. It is assumed that the part of the crop now under snow will be harvested in the spring and will be of average quality.



Changes in Components of Gross National Expenditure

	<u>Percentage Changes</u>		<u>Change in</u> <u>\$ Billions</u>
	1957 to <u>1958</u>	1958 to <u>1959</u>	1958 to <u>1959</u>
Personal Expenditure .....	5.4	5.8	1.2
Government Expenditure .....	7.4	4.5	0.3
Residential Construction .....	25.1	-1.1	-
Non-Residential Construction .....	-9.4	-7.8	-0.2
Machinery and Equipment .....	-14.9	9.4	0.2
Exports .....	-1.0	5.1	0.3
 Total Final Demand .....	 2.7	 4.5	 1.8
Inventories .....	(-\$0.6 b.)	(+\$0.7 b.)	0.7
(Business Only) .....	(-\$0.6 b.)	(+\$0.7 b.)	0.7
Imports .....	-5.6	9.5	-(+0.7)
 Gross National Product ....	 2.6	 6.1	 2.0

Much of the support to the rising level of production in 1959 came from the renewed build-up of inventories and the reversal of the down-trend in plant and equipment outlays during the year. Business inventories shifted from a position of heavy liquidation in 1958 to one of moderate accumulation in 1959; the turn-around here was the equivalent of about \$0.7 billion in terms of new demands on production. The decline in business capital expenditures for new plant and equipment, which was moderating in the latter part of 1958, was reversed in 1959, and outlays by the business sector were providing a stimulus to the advance in final demand in the second and third quarters of the year; the slight decline in the fourth quarter appears to have been associated with the effects of the United States' steel strike on machinery and equipment investment in Canada. For the year as a whole, however, plant and equipment outlays were unchanged. On the other hand, outlays for new housing, which rose very sharply in 1958 (by 25 per cent) were moving downward through the first three quarters of 1959, recovering slightly in the fourth quarter as new mortgage money made available by the government was taken up. For the year as a whole, housing outlays were down very slightly from 1958.

The personal and government sectors contributed significantly to the advance in output in 1959. Personal expenditure on consumer goods and services registered a slightly greater increase than in the previous year, and with prices up more moderately, the volume of consumption showed a more pronounced gain than in 1958. However, government expenditures on goods and services rose less sharply in 1959, by only 5 per cent, compared with 7 per cent in 1958. In the last half of the year, government outlays for goods and services declined.

Turning to transactions on international account, exports of goods and services, after having remained stable at a high level for two years despite the recession, rose by 5 per cent in 1959. Most of the gain was concentrated in the last

half of the year. At the same time, imports of goods and services, which fell sharply in the recession period but were rising in the latter part of 1958, continued upward in 1959, and for the year as a whole showed a gain of 9 per cent. The deficit on current account widened substantially, but there was some narrowing of the merchandise deficit at year-end, on a seasonally adjusted basis.

Taken together, these shifts in the pattern of the nation's total expenditure produced a Gross National Product in 1959 which was about 6 per cent above the level of the year 1958, compared with a gain of about 2 1/2 per cent in the 1957-1958 period.

The flow of income to the personal, business, and government sectors was also marked by changes in the trend of important income components and by shifts in the compositional pattern of the income aggregates in 1959. Transfer payments, which rose by 27 per cent between 1957 and 1958, made a much smaller contribution to the gain in personal income in 1959. The reverse is true of labour income, which showed only a small change between 1957 and 1958 but rose sharply in 1959, accounting for a much greater proportion of the increase in total personal income than in the previous year. While corporation profits showed little change over the four quarters of 1959, they were at an average rate about 14 per cent above the year 1958; this compares with a decline of less than 3 per cent between 1957 and 1958.

The shift in the pattern of profits, labour income, and transfer payments was largely responsible for the differing rates of change between national income and personal income in the two periods. In 1958, national income was affected by the small rise in labour income and the drop in profits, and showed only a 3 per cent gain; personal income advanced by 6 per cent, reflecting the sharp rise in transfer payments. In 1959, however, with profits and labour income showing substantial gains and transfer payments moderating, the advance in national income and in personal income were closely in line.

#### Changes in Major Income Components

<u>Selected Personal and Business</u> <u>Income Components</u>	<u>Percentage Changes</u>	
	1957	1958
	to	to
	<u>1958</u>	<u>1959</u>
Wages, Salaries, and Supplementary Labour Income .....	2.7	7.8
Transfer Payments .....	27.8	4.8
Personal Income .....	6.2	6.4
Corporation Profits After Dividends Paid Abroad .....	-2.5	14.2
Capital Consumption Allowances .....	-1.8	5.3
Rents, Interest, and Miscellaneous Investment Income .....	5.8	3.9
Net Income of Non-Farm Unincorporated Business .....	5.4	1.5
Accrued Net Income of Farm Operators from Farm Production ...	19.8	-7.1
National Income .....	3.5	6.4

#### Selected Government Revenues (All levels of government)

Direct Personal Taxes .....	-6.4	16.4
Corporation Tax Liabilities .....	-3.5	17.7
Indirect Taxes .....	1.5	9.6



The expansion of activity in 1959 was characterized by a marked recovery in the tax revenues collected by or accruing to the government sector, reflecting the recovery in profits, higher employment and earnings, a higher level of imports, sales and shipments, and increases in tax rates. The changes in government revenues from the three major tax sources for all levels of government combined are shown in the table on the preceding page.

### Value, Volume, Price Comparisons

Taking the change in the price of all components together, it is estimated that the price element of total Gross National Expenditure was higher in 1959 by about 2 per cent. The value, volume and price components of each of the main expenditure categories are shown in the accompanying table:

#### Percent Changes, Value, Volume and Price

	<u>1959</u> <u>1958</u>			Price Change <sup>1.</sup>
	Value	Volume	Price <sup>1.</sup>	<u>Year 1958</u> <u>Year 1957</u>
Personal Expenditure .....	5.8	4.5	1.2	2.5
Goods .....	5.3	4.9	0.5	1.8
Non-Durable .....	5.0	4.9	0.3	1.9
Durable .....	6.3	4.7	1.8	1.4
Services .....	6.8	3.7	2.7	3.6
Government Expenditure .....	4.5	1.2	2.9	3.2
Business Gross Fixed Capital Formation ..	-0.2	-2.9	3.0	2.1
New Residential Construction .....	-1.1	-5.0	4.0	2.5
New Non-Residential Construction .....	-7.8	-10.1	2.6	1.2
New Machinery and Equipment .....	9.4	6.9	2.5	2.7
Exports of Goods and Services .....	5.1	2.2	1.5	-0.2
Imports of Goods and Services .....	9.5	10.1	-0.4	1.3
Gross National Expenditure .....	6.1	3.5	2.3	2.2

1. The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The implicit deflators are weighted by changes in the expenditure pattern over time, and do not permit accurate measurements of price change. A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

Final product prices continued to drift upward slightly between 1958 and 1959. In the over-the-year comparisons, the advance was about the same as that which occurred between 1957 and 1958. The rise in the price of consumer goods and services in 1959 was small, and amounted to less than half the price rise of the 1957-1958 period, but this development was accompanied by a somewhat larger increase in the price of capital goods and in exports. Prices of imported goods declined, reflecting for the most part a higher rate of exchange on the Canadian dollar.



## Production and Employment

Most major industry divisions contributed to the rise in the physical volume of output in 1959. The sharpest increases were in forestry, mining, and public utilities. The almost uniformly upward trend of production in 1959 is in strong contrast to the mixed and largely offsetting movements that characterized output in the previous year. A large part of the increase from 1958 levels came in the first half of 1959; the rate of increase dropped in the second half, partly as a result of industrial disputes in Canada and the delayed effects of the steel strike in the United States.

Among the primary industries, an increase of about 9 per cent in forestry production was entirely attributable to pulpwood; output of other forest products was fractionally lower. The improvement in markets for some traditional metals and fuels and the continued expansion of output of new resource industries brought about a more than 10 per cent increase in mining production as a whole and relatively large gains in the output of several important products. Among these are nickel (31 per cent), copper (15 per cent), crude petroleum (12 per cent), uranium (18 per cent), and natural gas (24 per cent). Output of coal continued to decline as did that of lead and zinc. The underlying trend of mining production as a whole was strongly upward throughout the year and by December the index was nearly 15 per cent higher than a year earlier.

The output of manufacturing industries was about 7 per cent higher in 1959 than in 1958; the gain in durables was about 8 per cent and in non-durables about 6 per cent. All the major divisions of manufacturing increased their production with the single exception of transportation equipment. Production in this industry was off slightly, partly as a result of the steep drop in activity in aircraft and parts. The largest increases in output were in iron and steel products (18 per cent), rubber products (17 per cent), textiles (12 per cent), products of petroleum and coal (11 per cent) and non-metallic mineral products (9 per cent); in paper products, printing and publishing, and electrical apparatus and supplies, the rise in production was close to the average for manufacturing industries as a whole; the remaining divisions recorded smaller gains. The expansion of output was particularly marked in some individual industries, notably agricultural implements (34 per cent), and primary iron and steel (38 per cent).

The rising trend of manufacturing production in 1959 was interrupted in the third quarter, when the prolonged industrial dispute in the woods industry in British Columbia affected production of durable goods. In the closing quarter the rise in manufacturing production was restrained by November lay-offs in the automotive industry due to shortages of steel among United States' suppliers. Nevertheless, production advanced 2 per cent in the final quarter of the year, after allowing for seasonal factors. By the end of the year the index of manufacturing output was 6 per cent above its level one year earlier. Non-durable manufacturing production was running 4 per cent above its previous 1957 peak, but durable manufacturing production was still 3 per cent below the peak reached in July, 1956.

The relatively large year-to-year advance in the output of public utilities -- 14 per cent -- was mainly the result of a huge increase in the distribution of natural gas to final users; distribution by electric power utilities was up less than 10 per cent.

The volume of construction is estimated to have been 3 per cent lower in 1959 than in 1958. The increase in the volume of public construction did not fully offset the decline in private construction.



All the service-producing industries shared in the 4 1/2 per cent advance in output for the group as a whole. A 6 per cent gain in volume in transportation, communication and storage contrasts with the 4 per cent decline in 1958. Railway car loadings were only slightly higher but most other forms of transport handled a decidedly larger volume of business, notably shipping, air transport, and oil pipelines.

The gains in production outlined above were accompanied by an increase in total employment in 1959. The number of persons with jobs was close to 3 per cent higher than in 1958; the number with jobs in the non-farm sector was 3 1/2 per cent higher. This growth in employment opportunities in 1959 reduced the number of persons without jobs and seeking work from 6.6 to 5.6 per cent of the labour force.

### The Fourth Quarter

The advance in Gross National Product which had been temporarily checked in the third quarter of 1959 was resumed in the final quarter of the year. Total production of goods and services is estimated to have risen by about 2 per cent over the third quarter on a seasonally adjusted basis. Price factors were somewhat more prominent in the fourth quarter than had been the case throughout the earlier part of the year, reflecting largely irregular movements in food prices. The increase in the physical volume of production during the quarter was therefore somewhat less than that indicated by the value figures.

The fourth quarter rise in output was widely diffused through the economy, with all industry groups showing an advance over the third quarter. The increase in forestry was particularly sharp, following settlement in mid-September of the work stoppage in the primary wood and wood fabricating industries in British Columbia. Manufacturing production, which had declined in the third quarter, was higher by 2 per cent in the fourth. Durable goods manufacturing rose by 3 per cent, despite the fact that output was off sharply in November as shortages of steel from the United States severely affected motor vehicle production. In part, the fourth quarter rise in the durable index reflected higher output in the wood and wood products industries, and in part a sharp increase in the operating levels of the Canadian primary iron and steel industry. Non-durable manufacturing production, which had also declined in the third quarter, was higher in the fourth by 1 per cent. Mining, quarrying, and oil wells advanced by 2 per cent in the quarter, while construction and the service industries all showed gains ranging from 1 to 3 per cent.

The major expansionary factors on the demand side during the quarter were a further rise of 2 per cent in personal expenditure on consumer goods and services, and a sharp increase in exports of goods and services. The gain in consumer outlays amounted to 2 per cent, and was somewhat more pronounced in the durable group than in non-durables and services. The chief contributing factor to the rise in durable goods was an increase of more than 8 per cent in purchases of new and used automobiles. In the non-durables group, a very sharp increase occurred in purchases of natural and manufactured gas, reflecting the installation of new transmission facilities which came into operation during the summer and fall of 1959. Gains in most other non-durable items ranged from 1 to 3 per cent. Services (including net expenditure abroad) were higher in the quarter by about 2 per cent.

The pronounced rise in exports of goods and services in the fourth quarter, amounting to 5 per cent, was entirely attributable to the merchandise items, with transactions on invisible account showing a small decline. Three main commodity groups accounted for the major part of the increase in merchandise items;



exports of wood and wood products were higher by 7 per cent, as supplies became more plentiful following the end of the work stoppage in British Columbia; exports of iron and its products rose by 34 per cent, reflecting higher purchases of steel and iron ore from Canadian producers; and exports of non-ferrous metals rose by 9 per cent, associated largely with higher sales of aluminum, copper and nickel. The sharp increase in exports of goods and services in the fourth quarter was accompanied by a fractional decline in imports of goods and services, so that the deficit on current account narrowed considerably.

After moving upward for two successive quarters, business outlays for plant and equipment declined slightly in the fourth quarter of 1959. The decline was entirely attributable to a drop in outlays for new machinery and equipment and appears to have been related to supply difficulties associated with the steel strike in the United States; both domestic shipments and imports of machinery and equipment were down in the fourth quarter on a seasonally adjusted basis. Outlays for new non-residential construction were somewhat higher in the fourth quarter than in the third.

Outlays for new housing, which had been declining since early 1959, showed a small increase in the fourth quarter of the year. The gain was associated with a 12 per cent rise in housing "starts" following the taking up of additional mortgage funds made available from government sources; "completions" continued to decline in the quarter.

The rate of business inventory accumulation in the fourth quarter was somewhat lower than in the third. However, the build-up in manufacturing continued at an accelerated rate mainly due to a sharp increase in the rate at which iron and steel products were being accumulated. The rate of accumulation of wholesale inventories was only slightly below that of the third quarter, reflecting developments in the iron and steel and food groups. At retail, however, the rate of accumulation fell sharply, from \$160 million in the third quarter to \$40 million in the fourth quarter. The decline in the build-up in this group was more than accounted for by the sharp swing in retail holdings of automobiles from a position of accumulation in the third quarter to sizable liquidation in the fourth quarter, on a seasonally adjusted basis. Partially offsetting this swing in retail holdings of automobiles was a fairly substantial rise in holdings of lumber, building materials and farm implements.

#### COMPONENTS OF GROSS NATIONAL EXPENDITURE

##### Personal Expenditure on Consumer Goods and Services

Moderate increases in most categories accompanied a 6 per cent rise in personal expenditure on consumer goods and services in 1959. While consumer prices continued to advance, the upward trend moderated. The greater part of the increase in spending in 1959 thus represented a gain in real consumption. On a per capita basis, consumer expenditure showed the first volume increase since 1956.

Consumer expenditure on non-durable goods rose by 5 per cent in 1959. All categories showed increases of varying magnitude, the most significant occurring in gas (34 per cent), electricity and tobacco products (each up 10 per cent), and auto parts and accessories (9 per cent); other important changes occurred in expenditures on alcoholic beverages, clothing, fuel, and soaps and cleaning supplies, all of which increased by amounts varying between 4 per cent and 6 per cent. Expenditures



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13-001  
Quarterly

ERRATUM

Chart page 3, Consumer Expenditure line should  
read \$22,304 million in third quarter 1959.



on food increased by about 3 1/2 per cent, one of the more moderate increases in recent years. However, with food prices somewhat lower, the gain in real food consumption was considerably larger.

Expenditure on durables rose more than 6 per cent, the major part of which is accounted for by a 9 per cent gain in purchases of new and used automobiles. However, there was a significant advance in outlays for other durables, notably home furnishings (6 per cent) and appliances and radios (6 per cent); purchases of furniture showed little change.

The 11 per cent gain in sales of new passenger cars in 1959 was the largest since 1955 when they rose by 28 per cent. In contrast to 1955, however, sales of imported European and British models in 1959 accounted for 18 per cent by value of all new car sales, rising by 45 per cent over the year 1958. Sales of domestic and United States manufactured vehicles rose by 6 per cent.

The rise in durable goods purchases in 1959 was accompanied by an increase in consumer credit outstanding. Between December 1958 and December 1959, total consumer credit outstanding on the books of finance companies and retail dealers rose by 6 per cent. Unsecured personal loans by chartered banks (excluding home improvement loans) rose by 30 per cent in the same period.

Continuing to make relatively large gains, expenditure on services rose almost 7 per cent. The most significant increases were in outlays for shelter (8 per cent), medical care (9 per cent) and household operation (8 per cent).

The advance in personal expenditure in 1959 was closely in line with the increase in disposable income so that the level of personal saving showed little change. As a percentage of disposable income, personal saving was 6.7 per cent in 1959 compared with 7.1 per cent in 1958, rates of saving which in both cases are relatively high by the standards of post-war years.

### Investment in Business Inventories

The accumulation of business inventories in 1959 amounted to \$355 million, in contrast to a liquidation of \$323 million in 1958. This shift of nearly \$700 million between the two years was an important factor in economic recovery and accounted for almost one-third of the \$2.0 billion rise in Gross National Product in 1959.

#### Change in Business Inventories

	<u>1957</u>	<u>1958</u>	<u>1959</u>
Manufacturing .....	128	-257	134
Wholesale .....	75	-53	72
Retail .....	32	-9	134
Other .....	<u>76</u>	<u>-4</u>	<u>15</u>
Total .....	311	-323	355

Nearly 60 per cent of the turn-around in business inventories took place in manufacturing. The building up of stocks did not keep pace with the growth in



sales, and ratios of stocks to shipments fell significantly between 1958 and 1959 in both the durable and non-durable segments of manufacturing. The turn-around in manufacturing was almost totally due to the durable goods industries build-up. All durable groups showed a positive year-to-year shift, the most pronounced of all being in the iron and steel, and transportation equipment industries. In the non-durables group, while stocks of food and chemicals were depleted heavily, this liquidation was counter-balanced by a build-up in the petroleum, rubber and clothing industries.

Wholesalers built up stocks in 1959, after having drawn them down in 1958. As in manufacturing, stock-sales ratios were lower in 1959 than in 1958. Accumulation of inventories was fairly widespread among durable and non-durable goods' wholesalers, and included substantial build-ups in industrial machinery and equipment and in petroleum products.

Retail traders also built up stocks in 1959 after having depleted them in 1958. Stock-sales ratios however appeared slightly higher than those in 1958. Both durable and non-durable goods' retailers increased their holdings of inventories in 1959.

#### Business Gross Fixed Capital Formation

At a level of \$7.0 billion, expenditures on construction and machinery and equipment remained almost unchanged in 1959. However, this stable aggregate conceals important changes among components.

Non-residential construction fell to \$2.6 billion, nearly 8 per cent lower than in 1958. The decline in construction, mainly concentrated in engineering works, reflected the completion of certain large projects, such as pipelines, electric power installations and the St. Lawrence Seaway, reinforced by a decided drop in expenditures for construction by manufacturing industries.

At the same time, there was an upsurge in outlays for machinery and equipment which rose to \$2.6 billion, more than 9 per cent above the level of the preceding year. <sup>1/</sup> This increase was supported by higher imports and domestic shipments of machinery and equipment, which were both up more than 10 per cent. New orders in the industries producing capital goods (excluding transportation equipment) averaged higher by 20 per cent. Notable gains were recorded in purchases of farm machinery (22 per cent), and commercial vehicles (17 per cent).

The value of residential construction, at \$1.7 billion, was slightly lower than in 1958. The decline reflects a 14 per cent drop in housing units started and virtually no change in completions. Approvals of N.H.A. loans of all kinds fell by nearly one-third. Approved lenders, in the face of strong competing demands for funds and rising interest rates, curtailed their mortgage lending sharply. From September 1st, Central Mortgage and Housing Corporation made direct loans available to builders. In these circumstances, outlays for housing rose a little in the closing quarter of the year.

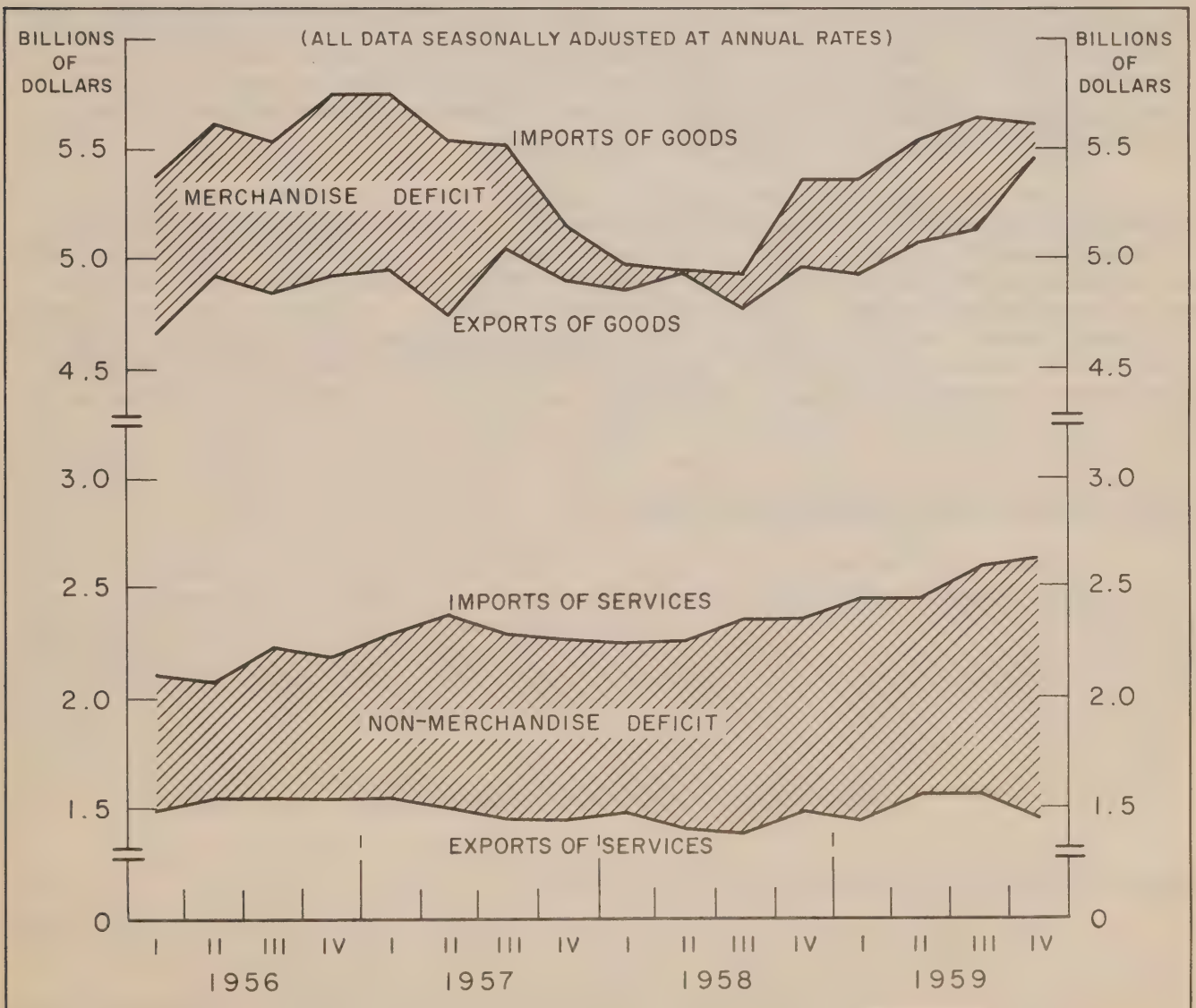
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<sup>1/</sup> See footnote 4, Table 2.

## Exports and Imports of Goods and Services

In a situation of vigorous recovery in the United States and expanding economic activity in other industrialized countries, exports of goods and services rose to \$6.7 billion in 1959, 5 per cent higher than the levels attained in 1957 and 1958. The rate of increase was about the same for merchandise exports as for invisible items.

Among merchandise exports, the products of the leading primary industries were prominent in raising the total. Thus exports of forest products, metals and minerals were up over 10 per cent. Exports of iron and its products showed the largest relative gain of all the main commodity groups, rising by almost one-third, in contrast to a decline of about one-sixth in 1958. This unusually large increase was related to the strike-induced shortage of steel in the United States. Among other products showing relatively large gains were lumber, pulp and paper, uranium and some other non-ferrous metals. These gains were partially offset by lower sales of some agricultural products, including grains and cattle; and of some manufactured products, namely, aircraft and ships, sales having been extraordinarily high in the previous year.





So far as invisible items are concerned, receipts from the tourist trade, from freight and shipping, from miscellaneous services and in the form of interest and dividends were all higher in 1959 than in 1958. On the other hand, gold production available for export was lower. Receipts from services totalled \$1.5 billion, compared with \$1.4 billion the previous year.

As has been characteristic of periods of rising economic activity, imports of goods and services advanced sharply in 1959, reaching an annual total of \$8.1 billion, 9 1/2 per cent higher than in 1958. Payments for merchandise imports and for services rose in about the same proportion.

In spite of the substantial increase in merchandise imports in 1959, the level was somewhat below the peak in 1956. The gains were well distributed and included industrial machinery, farm machinery, consumer goods, both durable and non-durable, and industrial materials to support the higher level of production and to replenish stocks. Imports of certain items, such as primary steel and steel pipe, were significantly lower. The largest increase in imports came in the second quarter of the year; thereafter there was little change, seasonal factors apart.

Payments for all items in the service account were substantially higher in 1959 than in 1958. The 12 per cent increase in remittances of interest and dividends reflected growing indebtedness, higher interest rates, and larger dividend payments to non-residents. The rise in merchandise imports, particularly from overseas countries, swelled payments for freight and shipping. Higher economic activity brought larger payments for business services. Payments on tourist account were also up considerably.

The consequence of the changes in exports and imports of goods and services described above was a deficit on current international account (on the National Accounts basis) of \$1.4 billion, compared with one of \$1.0 billion in 1958, and slightly above the previous peak in 1957. Of this deficit about \$400 million was on merchandise account. The \$1.0 billion deficit on service account, continuing the steady growth characteristic of recent years, was more than double the deficit from this source in 1955. Prices of imports were slightly lower, while prices of exports were moderately higher. Thus there was some improvement in the terms of trade.

#### Government Expenditure on Goods and Services

Government expenditure on goods and services rose to \$6.4 billion, about 5 per cent higher than in 1958. All this advance is attributable to provincial and municipal governments; it reflects increased wages and salaries and larger expenditures of a capital nature. Federal government expenditures were down slightly, reflecting a decline in outlays for defence of about 6 per cent, which was largely offset by increased spending for other purposes.

#### COMPONENTS OF GROSS NATIONAL PRODUCT

##### Wages, Salaries, and Supplementary Labour Income

Labour income rose to \$17.7 billion in 1959, nearly 8 per cent higher than in the previous year. Unlike 1958, a significant part of the advance reflected gains in employment; a small part came from somewhat longer hours of work. The



upward trend in average earnings continued to contribute substantially to the advance in labour income.

All major industries shared in the increase in labour income in 1959, in contrast to the situation in 1958 when income failed to rise in several important industries. The largest gain occurred in the service group, 1/ where income was higher by more than 13 per cent. Income in government service and in the construction industry, up more than 9 per cent, also registered better than average gains. A small increase in employment (1 per cent) and in hours of work (1 per cent), together with substantially higher hourly wages (4 per cent), raised income in manufacturing by 6 per cent, in contrast to a slight decline in the preceding year. Income in mining rose 5 per cent, in spite of an unchanged volume of employment, reflecting some increase in hours worked but mainly higher average hourly earnings. The increases in income in the transportation, communications and storage group, in finance, insurance and real estate, in public utilities and in trade were all within a narrow range and somewhat below the all industry average. With a significant improvement in employment in forestry, income rose more than 6 per cent, as opposed to a sharp decline in the previous year.

The factors contributing to the advance in labour income in 1959 for two major industries for which data are available are shown in the following table:

	<u>Employment</u>	<u>Hrs. Worked per week</u>	<u>Average Hourly Earnings</u>	<u>Labour Income</u>
Manufacturing .....	1.2 %	1.2 %	3.6 %	5.8 %
Mining .....	-	-	4.1 %	4.9 %

#### Corporate Profits and Other Investment Income

Characteristically sensitive to changes in the tempo of economic activity, corporate profits reversed their downward trend in the middle of 1958 and rose sharply in the closing quarter; they remained high in 1959, reaching an annual total as measured in the National Accounts of \$2.8 billion, a rise of 14 per cent in contrast to a decline of 3 per cent in the previous year. Dividends paid abroad, which are not included in the figure set out above, rose by 10 per cent.

Increases in profits were widespread by industry and in many cases extremely large, particularly in those industries whose earnings had deteriorated during the recession. Thus profits in mining were up 18 per cent, following an even sharper decline in 1958. The same rate of increase occurred in manufacturing industries, with especially large gains in iron and steel (35 per cent) and in chemical products (24 per cent). Among the manufacturing industries, only non-metallic mineral products and products of petroleum and coal failed to record any rise in profits.

Earnings in the goods-handling industries, like the goods-producing industries, had felt the impact of the recession and responded to the upswing in economic activity in 1959. Thus profits in transportation, communication and

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1/ Includes community, business, personal and recreational services.

storage rose sharply, after having fallen a little in 1958. Profits in wholesale trade also recovered from their recessionary decline. In retail trade, in the financial group and in services, profits were either unchanged or slightly lower, in contrast to the situation in 1958 when profits in the service-connected industries continued to rise.

Rents, interest, and miscellaneous investment income, estimated at \$2.1 billion, rose by 4 per cent in 1959. The advance in rental income continued to reflect the growth of the housing stock and a further slight increase in rents. With the rise in interest rates, interest receipts of persons and governments were sharply higher in 1959. However, a large part of these interest receipts take the form of interest paid on the government debt which is not included as a part of National Income. Trading profits of government enterprises were slightly higher in 1959, and investment income of life insurance companies and industrial pension funds rose sharply.

#### Net Income of Unincorporated Business

Estimated at \$1.1 billion in 1959, accrued net income of farm operators was about 7 per cent below the preceding year. This estimate involves little change in farm gross income, accompanied by a rise in farm operating expenses. The value of the new crop is estimated to have been higher by 7 per cent. This estimate, based on the November forecast, assumes that the part of the crop now under snow in the Prairies will be harvested in the spring and will be of average quality. The full effects of the adverse harvesting conditions in the Prairie Provinces cannot be evaluated at the present time.

	1958	1959	Change 1959 1958	Percent Change 1959 1958
	(\$m)	(\$m)	(\$m)	
Farm Cash Income .....	2,787	2,772	-15	-0.5
Income in Kind .....	339	346	7	2.1
Farm Inventory Change .....	-79	-67	12	-
Gross Income .....	3,047	3,051	4	0.1
<u>Deduct:</u>				
Farm Operating Expenses .....	1,514	1,590	76	5.0
Depreciation .....	288	292	4	1.4
<u>Add:</u>				
Adjustment on Grain Transactions..	-4	-8	-4	-
Other Adjustments <sup>1/</sup> .....	-48	-53	-5	-
Accrued Net Income of Farm Operators from Farm Production .....	1,193	1,108	-85	-7.1

<sup>1/</sup> Includes items in investment income and an estimated amount for Newfoundland.

Income of unincorporated business, non-farm, was \$2.2 billion, somewhat higher than in 1958. The major part of the increase originated in the service industries which account for about one-third of the total estimate. Income



originating in retail trade and construction, which come next in order of importance, was off slightly.

### Indirect Taxes Less Subsidies

Indirect taxes less subsidies reached an estimated level of \$4.2 billion in 1959, 9 per cent higher than in the previous year. The sharpest increase in indirect taxes, 11 per cent, was at the Federal level and the major part of it was in excise taxes which rose by 13 per cent. Customs import duties moved up in line with imports and were nearly 9 per cent above the previous year. The April Budget introduced higher rates of taxes and duties on tobacco products and spirits, in addition to an increase in the sales tax to help finance the old age security scheme. Thus Federal revenues from indirect taxes reflect changes in rates as well as expanding activity.

Gasoline and sales taxes, and miscellaneous taxes on natural resources account for most of the increase in indirect taxes at the Provincial level, which were up by 7 per cent; higher real and personal property taxes largely account for the rise of 9 per cent at the municipal level.

Subsidies rose very sharply in 1959, reflecting mainly higher losses incurred under the Agricultural Commodities Stabilization program.

### National Saving and Investment

Gross national saving increased by 9 per cent in 1959, from \$5.4 billion in 1958 to \$5.9 billion in 1959. This was the first increase in national saving since 1956. Virtually all the domestic sectors contributed towards this improvement in the national saving picture.

The business sector showed a very significant improvement with an increase of 6 1/2 per cent, saving in the personal sector decreased by 1 per cent, while the decline in the dissaving (deficit) of the government sector amounted to over 40 per cent. With an increase of approximately 6 per cent in Gross National Product from 1958 to 1959, and an increase of 9 per cent in national saving over the same period, the proportion of national saving to Gross National Product changed slightly over the two years, from 16.6 per cent in 1958 to 17.0 per cent in 1959.

	1958	1959	Change 1958 to 1959
	(billions of dollars)		
Personal Saving .....	1.6	1.6	-
Business Saving .....	4.8	5.1	0.3
Government Deficit .....	-1.0	-0.6	0.4
Inventory Valuation Adjustment .....	-	-0.1	-0.1
Residual Error of Estimate .....	0.1	-	
Gross National Saving .....	5.4	5.9	0.5
Business Gross Fixed Capital Formation ..	7.0	7.0	-
Change in Inventories .....	-0.4	0.3	0.7
Net Foreign Investment .....	-1.0	-1.4	-0.4
Residual Error of Estimate .....	-0.1	-	
Gross National Investment ...	5.4	5.9	0.5

★ Figures will not add by +.1 or -.1 due to rounding.



The nation's total fixed capital investment program for housing, non-residential construction, and machinery and equipment remained virtually unchanged between 1958 and 1959. The increase in saving took the form of increased investment in inventories, which showed a very significant change over the period, with the turn-around amounting to \$0.7 billion. As in previous years, the amount of saving available from domestic sources was insufficient to support the investment program. The short-fall in the nation's saving was met by drawing upon foreign sources and the deficit on current account in 1959 amounted to \$1.4 billion, an increase of about 36 per cent over the deficit in 1958. The deficit in 1959 was slightly above the previous peak year 1957.

#### TECHNICAL NOTE

##### Revisions to Data

The figures published in the present report will be held firm throughout 1960. Revisions to basic source data for 1958 and 1959 which accumulate during the course of the year will not be incorporated until March, 1961, at the time of the fourth quarter and preliminary annual 1960 report. In the past, it has been the practice to revise the Accounts at the time of the fourth quarter and preliminary annual release (March) to bring the data into line with the results of the private and public investment survey; and again in the fall, to bring in revisions to other basic source material which becomes available about mid-year. It has become apparent that two sets of revisions per year is a considerable inconvenience to the users of the Accounts, notwithstanding the earlier up-dating of the figures. In future, therefore, all outstanding revisions will be incorporated at one time with the release of the fourth quarter and preliminary annual report.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ....	3,782	4,004	4,174	4,036	15,996
2. Military Pay and Allowances .....	108	116	131	121	476
3. Corporation Profits before Taxes <sup>1</sup> .....	559	754	700	534	2,547
4. Rent, Interest, and Miscellaneous Investment Income..	469	465	483	488	1,905
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1	86	784	125	996
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	425	519	524	543	2,011
7. Inventory Valuation Adjustment <sup>4</sup> .....	-39	-26	-9	3	-71
8. NET NATIONAL INCOME AT FACTOR COST .....	5,305	5,918	6,787	5,850	23,860
9. Indirect Taxes less Subsidies .....	962	972	976	938	3,848
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	960	1,021	1,011	1,002	3,994
11. Residual Error of Estimate .....	-80	-81	80	152	71
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,147	7,830	8,854	7,942	31,773
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,146)	(7,744)	(8,070)	(7,817)	(30,777)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,566	4,983	4,949	5,466	19,964
2. Government Expenditure on Goods and Services <sup>1,2</sup> .....	1,277	1,345	1,639	1,477	5,738
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	1,542	1,994	2,002	1,797	7,335
4. New Residential Construction .....	248	359	393	409	1,409
5. New Non-Residential Construction .....	579	775	946	803	3,103
6. New Machinery and Equipment <sup>4</sup> .....	715	860	663	585	2,823
7. Value of Physical Change in Inventories <sup>5</sup> .....	107	-32	541	-406	210
8. Non-Farm Business Inventories .....	360	46	-8	-87	311
9. Farm Inventories and Grain in Commercial Channels..	-253	-78	549	-319	-101
10. Exports of Goods and Services .....	1,412	1,579	1,767	1,636	6,394
11. Deduct: Imports of Goods and Services .....	-1,837	-2,119	-1,964	-1,876	-7,796
12. Residual Error of Estimate .....	80	80	-80	-152	-72
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,147	7,830	8,854	7,942	31,773

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes defence expenditures of:

(Millions of Dollars)

1957					1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III	IV	Year
511	383	442	429	1,765	472	377	404	408	1,661	457	356	371	376	1,560

3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

4. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

5. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).



GROSS NATIONAL PRODUCT, BY QUARTERS, 1957-1959  
of dollars)

1958					1959						
I	II	III	IV	Year	I	II	III	IV	Year		
3,864	4,104	4,252	4,214	16,434	4,171	4,437	4,571	4,538	17,717	1.	
117	126	125	123	491	118	129	127	122	496	2.	
471	658	686	668	2,483	568	810	780	678	2,836	3.	
459	471	532	553	2,015	513	504	517	560	2,094	4.	
10	133	877	173	1,193	-29	151	920	66	1,108	5.	
431	533	551	604	2,119	453	552	543	602	2,150	6.	
-27	15	5	-26	-33	-33	-42	-42	-3	-120	7.	
5,325	6,040	7,028	6,309	24,702	5,761	6,541	7,416	6,563	26,281	8.	
950	968	963	1,002	3,883	1,000	1,056	1,079	1,085	4,220	9.	
955	1,002	979	987	3,923	962	1,070	1,036	1,063	4,131	10.	
-120	-30	124	124	98	-120	-103	80	104	-39	11.	
7,110	7,980	9,094	8,422	32,606	7,603	8,564	9,611	8,815	34,593	12.	
(7,100)	(7,847)	(8,217)	(8,249)	(31,413)	(7,632)	(8,413)	(8,691)	(8,749)	(33,485)	13.	

EXPENDITURE, BY QUARTERS, 1957-1959  
of dollars)

1958					1959						
I	II	III	IV	Year	I	II	III	IV	Year		
4,834	5,215	5,166	5,820	21,035	5,163	5,523	5,442	6,133	22,261	1.	
1,360	1,431	1,763	1,607	6,161	1,444	1,556	1,818	1,619	6,437	2.	
1,410	1,883	1,913	1,769	6,975	1,341	1,899	1,946	1,775	6,961	3.	
301	458	494	510	1,763	322	462	480	479	1,743	4.	
532	718	852	709	2,811	471	646	783	692	2,592	5.	
577	707	567	550	2,401	548	791	683	604	2,626	6.	
-358	-265	561	-373	-435	-68	-80	774	-326	300	7.	
-51	-146	-84	-42	-323	262	-13	60	46	355	8.	
-307	-119	645	-331	-112	-330	-67	714	-372	-55	9.	
1,387	1,616	1,655	1,674	6,332	1,347	1,727	1,779	1,804	6,657	10.	
-1,643	-1,930	-1,840	-1,950	-7,363	-1,745	-2,164	-2,067	-2,086	-8,062	11.	
120	30	-124	-125	-99	121	103	-81	-104	39	12.	
7,110	7,980	9,094	8,422	32,606	7,603	8,564	9,611	8,815	34,593	13.	

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,782	4,004	4,174	4,036	15,996
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-145	-143	-150	-151	-589
3. Military Pay and Allowances .....	108	116	131	121	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	21	107	765	109	1,002
5. Net Income of Non-Farm Unincorporated Business .....	425	519	524	543	2,011
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	466	524	486	537	2,013
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	581	463	502	533	2,079
8. Charitable Contributions by Corporations .....	8	10	10	8	36
9. PERSONAL INCOME .....	5,246	5,600	6,442	5,736	23,024

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	466	501	474	476	1,917
2. Income Taxes .....	393	445	426	429	1,693
3. Succession Duties .....	35	33	28	30	126
4. Miscellaneous .....	38	23	20	17	98
5. Personal Expenditure on Consumer Goods and Services:	4,566	4,983	4,949	5,466	19,964
6. Non-Durable Goods .....	2,293	2,488	2,570	3,006	10,357
7. Durable Goods .....	520	680	608	623	2,431
8. Services <sup>1</sup> .....	1,753	1,815	1,771	1,837	7,176
9. Personal Net Saving: .....	214	116	1,019	-206	1,143
10. Personal Saving Excluding Change in Farm Inventories .....	458	209	485	143	1,295
11. Value of Physical Change in Farm Inventories .....	-244	-93	534	-349	-152
12. PERSONAL INCOME .....	5,246	5,600	6,442	5,736	23,024
13. (Personal Disposable Income) <sup>2</sup> .....	(4,780)	(5,099)	(5,968)	(5,260)	(21,107)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1957-1959  
of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
3,864	4,104	4,252	4,214	16,434	4,171	4,437	4,571	4,538	17,717 1.
-152	-149	-156	-157	-614	-162	-157	-164	-181	-664 2.
117	126	125	123	491	118	129	127	122	496 3.
30	140	868	159	1,197	-10	175	908	43	1,116 4.
431	533	551	604	2,119	453	552	543	602	2,150 5.
497	538	535	550	2,120	529	577	574	620	2,300 6.
765	638	599	655	2,657	824	689	636	636	2,785 7.
7	9	10	10	36	8	11	11	10	40 8.
5,559	5,939	6,784	6,158	24,440	5,931	6,413	7,206	6,390	25,940 9.

INCOME, BY QUARTERS, 1957-1959  
of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
456	431	440	467	1,794	480	531	525	552	2,088 1.
380	376	393	406	1,555	375	447	454	471	1,747 2.
33	33	27	33	126	35	30	30	35	130 3.
43	22	20	28	113	70	54	41	46	211 4.
4,834	5,215	5,166	5,820	21,035	5,163	5,523	5,442	6,133	22,261 5.
2,453	2,609	2,651	3,140	10,853	2,570	2,711	2,789	3,330	11,400 6.
538	688	600	674	2,500	584	763	624	687	2,658 7.
1,843	1,918	1,915	2,006	7,682	2,009	2,049	2,029	2,116	8,203 8.
269	293	1,178	-129	1,611	288	359	1,239	-295	1,591 9.
531	386	567	206	1,690	595	405	569	89	1,658 10.
-262	-93	611	-335	-79	-307	-46	670	-384	-67 11.
5,559	5,939	6,784	6,158	24,440	5,931	6,413	7,206	6,390	25,940 12.
(5,103)	(5,508)	(6,344)	(5,691)	(22,646)	(5,451)	(5,882)	(6,681)	(5,838)	(23,852) 13.



TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Wages, Salaries, and Supplementary Labour Income .....	15,800	15,968	16,160	16,056	15,996
2. Military Pay and Allowances .....	460	460	500	484	476
3. Corporation Profits before Taxes <sup>1</sup> .....	2,720	2,636	2,512	2,320	2,547
4. Rent, Interest, and Miscellaneous Investment Income ..	1,896	1,896	1,932	1,896	1,905
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,048	976	1,032	928	996
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	2,028	2,008	2,016	1,992	2,011
7. Inventory Valuation Adjustment .....	-156	-104	-36	12	-71
8. NET NATIONAL INCOME AT FACTOR COST .....	23,796	23,840	24,116	23,688	23,860
9. Indirect Taxes less Subsidies .....	3,900	3,872	3,860	3,760	3,848
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	4,008	4,012	3,996	3,960	3,994
11. Residual Error of Estimate .....	40	28	120	96	71
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	31,744	31,752	32,092	31,504	31,773
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,696)	(30,776)	(31,060)	(30,576)	(30,777)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services ..	19,604	19,880	20,164	20,208	19,964
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,592	5,716	5,836	5,808	5,738
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	7,496	7,416	7,300	7,128	7,335
4. New Residential Construction .....	1,352	1,364	1,412	1,508	1,409
5. New Non-Residential Construction .....	3,052	3,128	3,144	3,088	3,103
6. New Machinery and Equipment <sup>3</sup> .....	3,092	2,924	2,744	2,532	2,823
7. Value of Physical Change in Inventories .....	640	440	224	-464	210
8. Non-Farm Business Inventories .....	684	408	356	-204	311
9. Farm Inventories and Grain in Commercial Channels <sup>4</sup> ..	-44	32	-132	-260	-101
10. Exports of Goods and Services .....	6,492	6,240	6,504	6,340	6,394
11. Deduct: Imports of Goods and Services .....	-8,040	-7,912	-7,812	-7,420	-7,796
12. Residual Error of Estimate .....	-40	-28	-124	-96	-72
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	31,744	31,752	32,092	31,504	31,773

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

	1957				
4. Detail: Farm Inventories -	I	II	III	IV	Year
Value of grain crop production .....	800	800	800	804	801
Depletion of farm stocks of grain ....	-1,008	-928	-896	-1,036	-967
Change in livestock inventories .....	64	76	24	-108	14
Grain in Commercial Channels .....	100	84	-60	80	51

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

NATIONAL PRODUCT, BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
16,144	16,360	16,460	16,772	16,434	17,372	17,640	17,756	18,100	17,717 1.
496	500	476	492	491	500	508	488	488	496 2.
2,340	2,260	2,468	2,864	2,483	2,800	2,796	2,816	2,932	2,836 3.
1,872	1,948	2,108	2,132	2,015	2,112	2,056	2,088	2,120	2,094 4.
1,168	1,280	1,256	1,068	1,193	1,136	1,188	1,108	1,000	1,108 5.
2,068	2,064	2,120	2,224	2,119	2,140	2,156	2,128	2,176	2,150 6.
-108	60	20	-104	-33	-132	-168	-168	-12	-120 7.
23,980	24,472	24,908	25,448	24,702	25,928	26,176	26,216	26,804	26,281 8.
3,872	3,828	3,820	4,012	3,883	4,076	4,188	4,268	4,348	4,220 9.
3,972	3,936	3,880	3,904	3,923	4,008	4,152	4,132	4,232	4,131 10.
-36	196	216	16	98	-56	12	-	-112	-39 11.
31,788	32,432	32,824	33,380	32,606	33,956	34,528	34,616	35,272	34,593 12.
(30,620)	(31,152)	(31,568)	(32,312)	(31,413)	(32,820)	(33,340)	(33,508)	(34,272)	(33,485) 13.

BY QUARTERS, 1957-1959  
AT ANNUAL RATES  
of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
20,640	20,804	21,060	21,636	21,035	21,936	22,024	22,304	22,780	22,261 1.
5,992	6,076	6,244	6,332	6,161	6,336	6,612	6,444	6,356	6,437 2.
6,984	6,960	6,936	7,020	6,975	6,728	6,948	7,072	7,096	6,961 3.
1,644	1,740	1,792	1,876	1,763	1,756	1,748	1,720	1,748	1,743 4.
2,872	2,864	2,804	2,704	2,811	2,572	2,572	2,580	2,644	2,592 5.
2,468	2,356	2,340	2,440	2,401	2,400	2,628	2,772	2,704	2,626 6.
-980	-332	-56	-372	-435	332	296	412	160	300 7.
-788	-312	-132	-60	-323	452	272	400	296	355 8.
-192	-20	76	-312	-112	-120	24	12	-136	-55 9.
6,348	6,344	6,176	6,460	6,332	6,364	6,640	6,648	6,976	6,657 10.
-7,236	-7,224	-7,316	-7,676	-7,363	-7,800	-7,976	-8,268	-8,204	-8,062 11.
40	-196	-220	-20	-99	60	-16	4	108	39 12.
31,788	32,432	32,824	33,380	32,606	33,956	34,528	34,616	35,272	34,593 13.

of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
860	860	860	860	860	920	924	924	924	923
-972	-992	-872	-1,004	-960	-1,108	-832	-1,024	-1,080	-1,011
-12	196	72	-172	21	60	-4	56	-28	21
-68	-84	16	4	-33	8	-64	56	48	12

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Wages, Salaries, and Supplementary Labour Income .....	15,800	15,968	16,160	16,056	15,996
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-576	-580	-596	-604	-589
3. Military Pay and Allowances .....	460	460	500	484	476
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,120	1,004	980	904	1,002
5. Net Income of Non-Farm Unincorporated Business .....	2,028	2,008	2,016	1,992	2,011
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	1,968	2,032	2,012	2,040	2,013
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	1,868	1,916	2,188	2,344	2,079
8. Charitable Contributions by Corporations .....	40	36	36	32	36
9. PERSONAL INCOME .....	22,708	22,844	23,296	23,248	23,024

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1957				
	I	II	III	IV	Year
1. Personal Direct Taxes: .....	1,916	1,924	1,916	1,912	1,917
2. Income Taxes .....	1,692	1,696	1,688	1,696	1,693
3. Succession Duties .....	128	128	124	124	126
4. Miscellaneous .....	96	100	104	92	98
5. Personal Expenditure on Consumer Goods and Services:	19,604	19,880	20,164	20,208	19,964
6. Non-Durable Goods .....	10,140	10,328	10,456	10,504	10,357
7. Durable Goods .....	2,436	2,408	2,476	2,404	2,431
8. Services <sup>1</sup> .....	7,028	7,144	7,232	7,300	7,176
9. Personal Net Saving: .....	1,188	1,040	1,216	1,128	1,143
10. PERSONAL INCOME .....	22,708	22,844	23,296	23,248	23,024
11. (Personal Disposable Income) <sup>2</sup> .....	(20,792)	(20,920)	(21,380)	(21,336)	(21,107)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1957-1959  
 AT ANNUAL RATES  
 of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
16,144	16,360	16,460	16,772	16,434	17,372	17,640	17,756	18,100	17,717
-600	-608	-620	-628	-614	-640	-640	-652	-724	-664
496	500	476	492	491	500	508	488	488	496
1,196	1,256	1,284	1,052	1,197	1,128	1,248	1,120	968	1,116
2,068	2,064	2,120	2,224	2,119	2,140	2,156	2,128	2,176	2,150
2,080	2,092	2,196	2,112	2,120	2,212	2,248	2,356	2,384	2,300
2,472	2,644	2,616	2,896	2,657	2,672	2,860	2,788	2,820	2,785
36	32	36	40	36	40	40	40	40	40
23,892	24,340	24,568	24,960	24,440	25,424	26,060	26,024	26,252	25,940

INCOME, BY QUARTERS, 1957-1959  
 AT ANNUAL RATES  
 of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
1,832	1,688	1,784	1,872	1,794	1,956	2,044	2,148	2,204	2,088
1,596	1,460	1,572	1,592	1,555	1,616	1,700	1,820	1,852	1,747
132	132	108	132	126	140	120	120	140	130
104	96	104	148	113	200	224	208	212	211
20,640	20,804	21,060	21,636	21,035	21,936	22,024	22,304	22,780	22,261
10,752	10,808	10,824	11,028	10,853	11,156	11,288	11,456	11,700	11,400
2,492	2,420	2,464	2,624	2,500	2,708	2,664	2,584	2,676	2,658
7,396	7,576	7,772	7,984	7,682	8,072	8,072	8,264	8,404	8,203
1,420	1,848	1,724	1,452	1,611	1,532	1,992	1,572	1,268	1,591
23,892	24,340	24,568	24,960	24,440	25,424	26,060	26,024	26,252	25,940
(22,060)	(22,652)	(22,784)	(23,088)	(22,646)	(23,468)	(24,016)	(23,876)	(24,048)	(23,852)

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1957				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,664	4,005	3,943	4,372	15,984
2. Non-Durable Goods .....	2,009	2,183	2,225	2,604	9,021
3. Durable Goods .....	453	587	534	553	2,127
4. Services .....	1,202	1,235	1,184	1,215	4,836
5. Government Expenditure on Goods and Services .....	867	896	1,100	969	3,832
6. Business Gross Fixed Capital Formation .....	1,081	1,388	1,384	1,232	5,085
7. New Residential Construction .....	178	254	277	288	997
8. New Non-Residential Construction .....	395	528	642	542	2,107
9. New Machinery and Equipment <sup>3</sup> .....	508	606	465	402	1,981
10. Change in Inventories .....	-7	-106	702	-451	138
11. Non-Farm Business Inventories .....	295	41	-7	-59	270
12. Farm Inventories and Grain in Commercial Channels..	-302	-147	709	-392	-132
13. Exports of Goods and Services .....	1,171	1,299	1,477	1,413	5,360
14. Deduct: Imports of Goods and Services .....	-1,553	-1,786	-1,673	-1,584	-6,596
15. Residual Error of Estimate .....	60	60	-59	-115	-54
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,283	5,756	6,874	5,836	23,749

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

3. The 1959 figures reflect the \$150 million adjustment in current dollars made to take account of later available information - see footnote 4, Table 2.

TABLE 10. NATIONAL SAVING ACCOUNT, 1957-1959

SOURCE  
(millions of dollars)

	1957	1958	1959
1. Personal Net Saving .....	1,143	1,611	1,591
2. Business Gross Saving:			
(a) Undistributed Corporation Profits .....	870	852	957
(b) Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,994	3,923	4,131
(c) Adjustment on Grain Transactions .....	-6	-4	-8
3. Inventory Valuation Adjustment .....	-71	-33	-120
4. Government Surplus (+) or Deficit (-) .....	70	-1,037	-617
5. Residual Error of Estimate .....	71	98	-39
6. Total .....	6,071	5,410	5,895

DOLLARS, BY QUARTERS, 1957-1959  
 FOR SEASONALITY <sup>1, 2</sup>  
 of dollars)

1958					1959				
I	II	III	IV	Year	I	II	III	IV	Year
3,782	4,065	4,030	4,544	16,421	3,970	4,273	4,197	4,723	17,163
2,106	2,222	2,261	2,681	9,270	2,197	2,335	2,383	2,811	9,726
465	590	526	577	2,158	493	640	540	586	2,259
1,211	1,253	1,243	1,286	4,993	1,280	1,298	1,274	1,326	5,178
882	920	1,155	1,028	3,985	908	969	1,154	1,000	4,031
961	1,285	1,301	1,191	4,738	895	1,258	1,285	1,163	4,601
211	318	341	350	1,220	219	307	317	316	1,159
356	481	572	468	1,877	308	422	511	447	1,688
394	486	388	373	1,641	368	529	457	400	1,754
-377	-334	749	-418	-380	-156	-161	928	-407	204
-20	-102	-67	-39	-228	214	-2	44	25	281
-357	-232	816	-379	-152	-370	-159	884	-432	-77
1,186	1,391	1,411	1,452	5,440	1,140	1,448	1,464	1,505	5,557
-1,357	-1,626	-1,559	-1,656	-6,198	-1,468	-1,824	-1,752	-1,777	-6,821
88	22	-91	-92	-73	86	74	-58	-74	28
5,165	5,723	6,996	6,049	23,933	5,375	6,037	7,218	6,133	24,763

TABLE 11. NATIONAL SAVING ACCOUNT, 1957-1959  
 DISPOSITION  
 (millions of dollars)

	1957	1958	1959
1. Business Gross Fixed Capital Formation: <sup>1</sup>			
(a) New Residential Construction .....	1,409	1,763	1,743
(b) New Non-Residential Construction .....	3,103	2,811	2,592
(c) New Machinery and Equipment <sup>2</sup> .....	2,823	2,401	2,626
2. Value of Physical Change in Inventories .....	210	-435	300
3. Surplus (+) or Deficit (-) on Current Account with Non-Residents	-1,402	-1,031	-1,405
4. Residual Error of Estimate .....	-72	-99	39
5. Total .....	6,071	5,410	5,895

1. See Footnote 3, Table 2. For reconciliation with "Private and Public Investment" figures published by the Department of Trade and Commerce, See Table 15.

2. See Footnote 3, Table 15.



TABLE 12. GOVERNMENT REVENUE AND EXPENDITURE, BY LEVEL OF GOVERNMENT, 1957-1959

REVENUE

(millions of dollars)

	<u>1957</u>	<u>1958</u>	<u>1959</u>
1. Direct Taxes - Persons .....	1,917	1,794	2,088
2.   Federal .....	1,723	1,581	1,770
3.   Provincial .....	176	195	298
4.   Municipal .....	18	18	20
5. Direct Taxes - Corporations .....	1,326	1,280	1,506
6.   Federal .....	1,120	1,047	1,248
7.   Provincial .....	206	233	258
8. Withholding Taxes:- Federal .....	83	48	72
9. Indirect Taxes .....	3,964	4,022	4,410
10.   Federal .....	1,990	1,912	2,131
11.   Provincial .....	932	963	1,033
12.   Municipal .....	1,042	1,147	1,246
13. Investment Income .....	865	943	992
14.   Federal .....	276	319	326
15.   Provincial .....	383	394	430
16.   Municipal .....	206	230	236
17. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	589	614	664
18.   Federal .....	384	391	413
19.   Provincial .....	191	201	227
20.   Municipal .....	14	22	24
21. Transfers from Other Levels of Government .....	989	1,225	1,514
22.   Provinces - From Canada .....	504	644	861
23.       - From municipalities .....	26	21	22
24.   Municipalities - From Canada .....	16	22	20
25.       - From provinces .....	443	538	611
26. Total Revenue .....	9,733	9,926	11,246
27.   Federal .....	5,576	5,298	5,960
28.   Provincial .....	2,418	2,651	3,129
29.   Municipal .....	1,739	1,977	2,157

EXPENDITURE  
(millions of dollars)

	1957	1958	1959
1. Goods and Services .....	5,738	6,161	6,437
2. Federal .....	2,727	2,849	2,818
3. Provincial .....	1,149	1,274	1,377
4. Municipal .....	1,862	2,038	2,242
5. Transfer Payments .....	2,820	3,438	3,722
6. Federal .....	1,982	2,454	2,479
7. Provincial .....	685	815	1,057
8. Municipal .....	153	169	186
9. Subsidies .....	116	139	190
10. Federal .....	108	132	181
11. Provincial .....	8	7	9
12. Transfers to Other Levels of Government .....	989	1,225	1,514
13. Canada - To provinces .....	504	644	861
14. - To municipalities .....	16	22	20
15. Provinces - To municipalities .....	443	538	611
16. Municipalities - To provinces .....	26	21	22
17. Total Expenditure .....	9,663	10,963	11,863
18. Federal .....	5,337	6,101	6,359
19. Provincial .....	2,285	2,634	3,054
20. Municipal .....	2,041	2,228	2,450
21. Deficit (-) or Surplus (+) .....	70	-1,037	-617
22. Federal .....	239	-803	-399
23. Provincial .....	133	17	75
24. Municipal .....	-302	-251	-293
25. Total Expenditure Minus Deficit (or Plus Surplus) .....	9,733	9,926	11,246
26. Federal .....	5,576	5,298	5,960
27. Provincial .....	2,418	2,651	3,129
28. Municipal .....	1,739	1,977	2,157

1. Defence expenditures included in these figures are as follows: 1957, \$1,765 million; 1958, \$1,661 million; 1959, \$1,560 million.

2. The conventional accounting statements of the various governments have been adjusted to include only those transactions which have relevance for the National Accounts.

TABLE 14. BUSINESS GROSS FIXED CAPITAL FORMATION, BY INDUSTRY, 1957-1959<sup>1</sup>  
(millions of dollars)

	1957	1958	1959
1. Agriculture .....	434	465	555
2. Fishing and Trapping .....			
3. Forestry .....	48	33	46
4. Mining, Quarrying, and Oil Wells .....	606	342	344
5. Manufacturing .....	1,479	1,095	1,074
6. Construction .....	158	157	183
7. Transportation .....			
8. Storage .....	1,032	955	694
9. Communication <sup>2</sup> .....	312	336	325
10. Electric Power, Gas, and Water Utilities <sup>3</sup> .....	959	857	823
11. Trade .....	370	356	333
12. Finance, Insurance, and Real Estate <sup>4</sup> .....	1,545	1,943	1,987
13. Service <sup>5</sup> .....	392	436	447
14. Adjustment (not allocated) <sup>6</sup> .....	-	-	150
15. Total .....	7,335	6,975	6,961

1. This table is derived from "Private and Public Investment in Canada, Outlook 1959 and 1960". Additional detail has been provided by the D.B.S. Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 15. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.

2. Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "government expenditure on goods and services".

3. Includes outlays for investment of grain elevators of \$10 million in 1957, \$12 million in 1958, and \$24 million in 1959. This industry is assigned to the storage group under the Standard Industrial Classification.

4. Includes all new residential construction, (exclusive of government other than government business enterprises). See Table 2, line 4.

5. Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "government expenditure on goods and services". Investment expenditures of government business enterprises (railways, power commissions, etc.) are included under appropriate industry headings.

6. See footnote 3, Table 15.

TABLE 15. BUSINESS GROSS FIXED CAPITAL FORMATION, 1957-1959  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1957</u>	<u>1958</u>	<u>1959</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	8,717	8,364	8,411
2. Deduct: New Residential Construction by Governments <sup>2</sup> .....	-21	-19	-16
3. Deduct: New Non-Residential Construction by Governments .....	-1,251	-1,237	-1,447
4. Deduct: New Machinery and Equipment Outlays by Governments...	-110	-133	-137
5. Adjustment <sup>3</sup> .....	-	-	150
6. Business Gross Fixed Capital Formation .....	7,335	6,975	6,961

1. As presented in the publication "Private and Public Investment in Canada, Outlook, 1959 and 1960".
2. Excluding residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal - provincial housing (Section 36, National Housing Act) which are included under line 6.
3. The 1959 total has been revised upward from that shown in "Private and Public Investment in Canada, Outlook 1960" to take account of later available information. The entire adjustment is in the non-government machinery and equipment item.

TABLE 16. EXPORTS AND IMPORTS OF GOODS AND SERVICES, 1957-1959<sup>1</sup>  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1957</u>	<u>1958</u>	<u>1959</u>
<u>Exports of Goods and Services:</u>			
1. Merchandise Exports .....	4,909	4,890	5,152
2. Gold Production Available for Export .....	147	160	147
3. Interest and Dividends Received from Non-Residents.....	154	166	170
4. Other Receipts from Services Rendered to Non-Residents .....	1,320	1,407	1,288
5. Subtotal: "Current Receipts" as per Canadian Balance of International Payments .....	6,530	6,423	6,757
6. Inheritances and Immigrants' Funds .....	-124	-91	-100
7. Other Adjustments .....	-12	-	-
8. Total "Exports of Goods and Services" as per National Accounts <sup>2</sup>	6,394	6,332	6,657
<u>Imports of Goods and Services:</u>			
9. Merchandise Imports .....	5,488	5,060	5,538
10. Interest and Dividends Paid to Non-Residents .....	587	586	656
11. Other Payments for Services Rendered by Non-Residents .....	1,879	1,862	2,023
12. Subtotal: "Current Payments" as per Canadian Balance of International Payments .....	7,954	7,508	8,217
13. Inheritances and Emigrants Funds .....	-157	-145	-155
14. Other Adjustments .....	-1	-	-
15. Total "Imports of Goods and Services" as per National Accounts <sup>2</sup>	7,796	7,363	8,062

1. Data sources are reports on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.
2. See also Table 2.



CATALOGUE No.

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CANADA

**NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
FIRST QUARTER**

1960



*Published by Authority of*

The Honourable Gordon Churchill, Minister of Trade and Commerce

**DOMINION BUREAU OF STATISTICS**

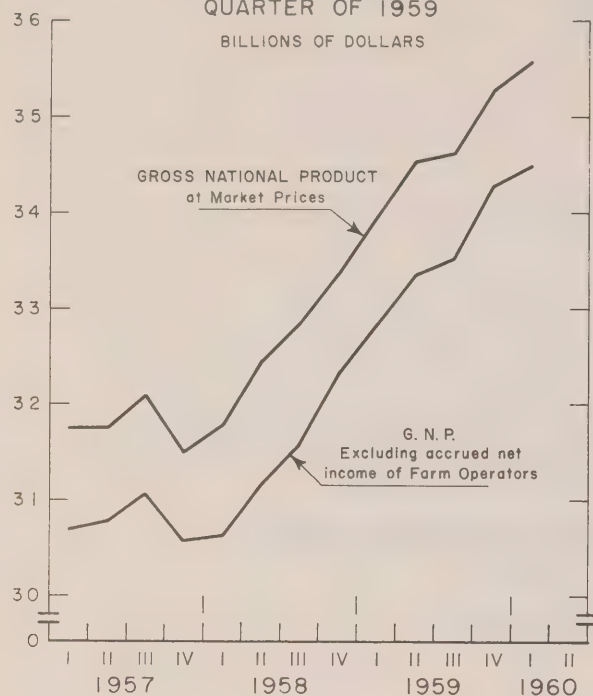
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National Income Section

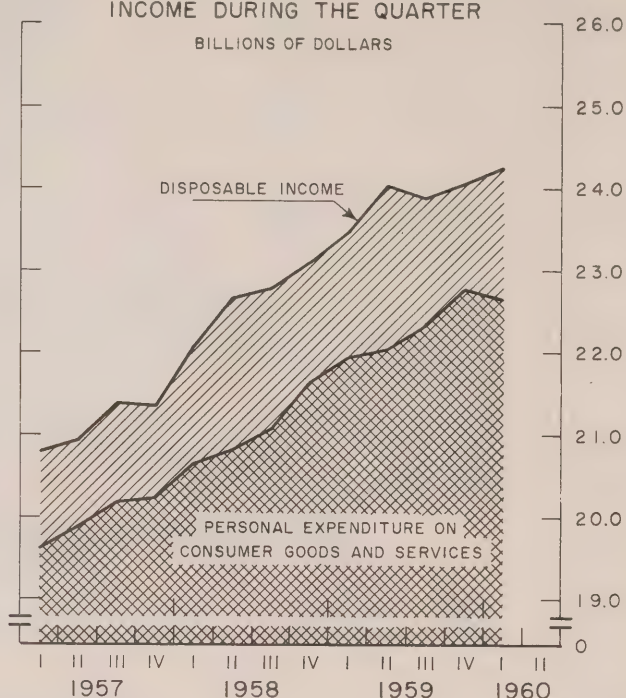
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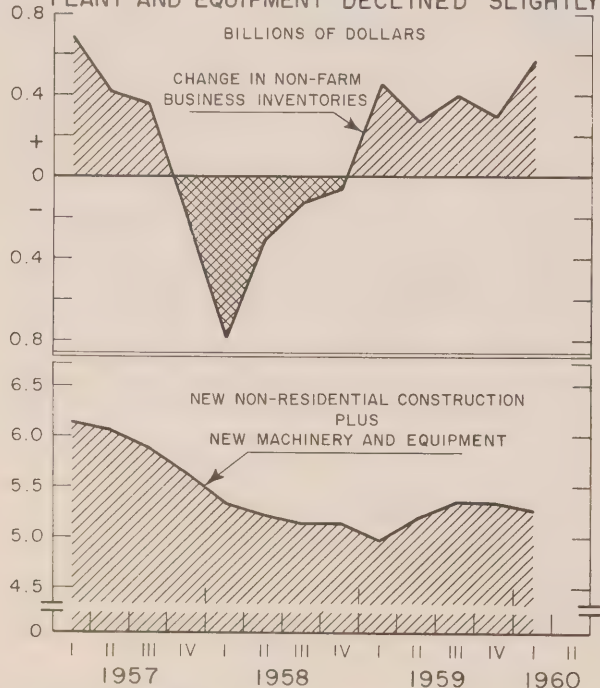
THE ADVANCE IN GROSS NATIONAL PRODUCT MODERATED IN THE FIRST QUARTER OF 1960, FOLLOWING A GAIN OF 2 PER CENT IN THE FINAL QUARTER OF 1959



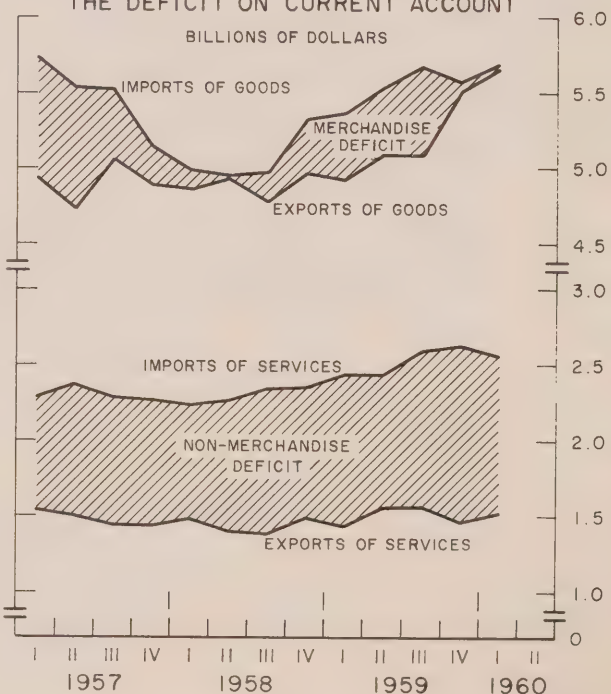
THE SLOW-DOWN WAS ACCOMPANIED BY WEAKNESS IN THE CONSUMER SECTOR, WHERE SPENDING DECLINED IN SPITE OF A SMALL RISE IN DISPOSABLE INCOME DURING THE QUARTER



BUSINESS INVENTORY ACCUMULATION WAS SHARPLY HIGHER, REFLECTING MAINLY THE MOVEMENT OF GOODS INTO RETAIL AND WHOLESALE CHANNELS; BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT DECLINED SLIGHTLY



EXPORTS OF GOODS AND SERVICES CONTINUED TO ADVANCE MODERATELY, BUT THE INCREASE IN IMPORTS WAS SMALL, LEADING TO A FURTHER NARROWING IN THE DEFICIT ON CURRENT ACCOUNT



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)

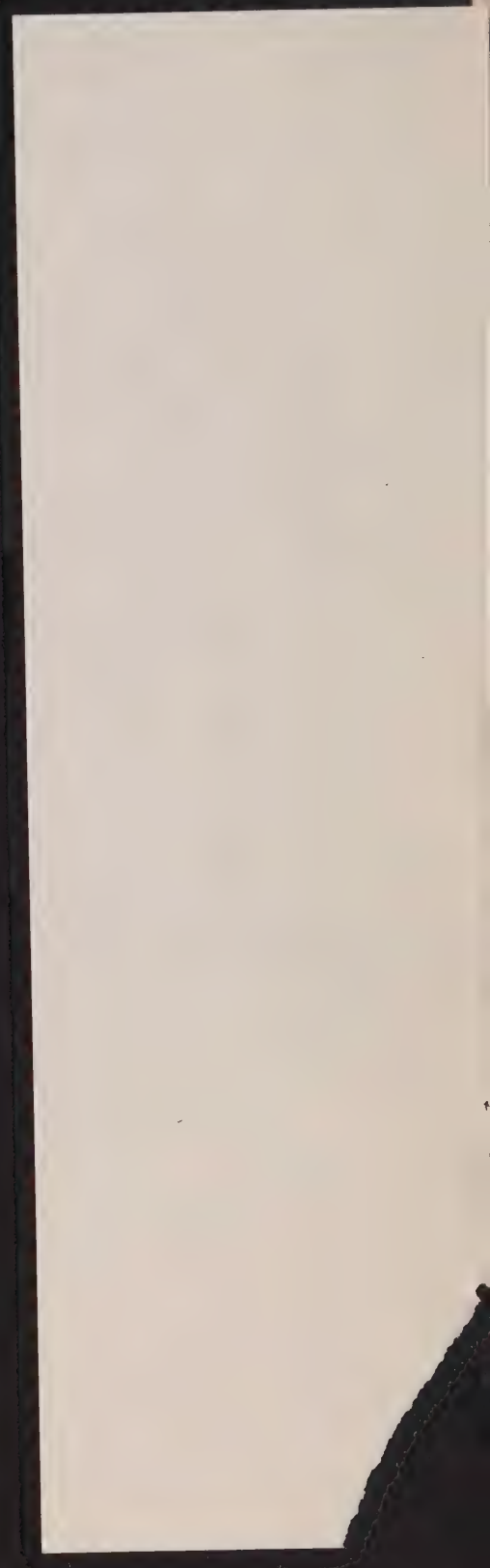
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ERRATUM, Page 11.

Average hourly earnings in Manufacturing (Column 3 of Table on

Page 11) should read 3.7 %.





## INTRODUCTORY REVIEW

The advance in Gross National Product moderated in the first quarter of 1960. Apart from the third quarter of last year, the increase of 1 per cent was the smallest quarter-to-quarter gain in the value of production (seasonally adjusted) since the expansion began following recovery from the 1957-1958 recession. With prices showing no overall change, the first quarter advance represents a real, though modest, gain in the physical volume of output. 1/

The less vigorous advance in Gross National Product in the first quarter was associated with a levelling off in total final purchases of goods and services (see Table, overleaf). While there was a decline in final domestic demand, external demand for Canadian export products continued to rise. All of the production gain during the quarter was represented, on balance, by a movement into inventory stocks. There was a significant increase in the rate of inventory accumulation at the retail and wholesale levels, and in livestock held on farms.

Prominent among the developments which operated to suppress the level of final demand during the quarter was a small, but unusual, decline in personal expenditure on consumer goods and services. A number of factors were associated with this drop in consumer outlays in the first quarter, among them the delayed spring weather and the late date of Easter this year. In addition, disposable income had stopped rising between the second and fourth quarter of 1959, as the effects of the work stoppage in the primary wood and wood-fabricating industries in British Columbia in the third quarter and the United States steel strike in the fourth, impeded the flow of income; higher direct personal taxes were also a factor in this development. Disposable income by the first quarter of 1960 had, in fact, risen by less than 1 per cent over the second quarter of 1959. 2/ In addition, there was a small decline in the price of consumer goods between the fourth and the first quarters, so that the drop in the volume of consumer outlays was only about half as much as that indicated in the value figures. While it is clear that the retardation in the growth of consumer income and the price decline have affected the movement of the figures, it is not possible to assess the relative importance of these factors in relation to the irregular influences of a delayed spring and a late Easter this year.

A further factor contributing to the relatively unchanged level of total final purchases in the first quarter was a decline in business outlays for new

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1/ A small part of the first quarter increase (about \$50 million) represents a higher estimate of crop production in 1960, based on a calculation involving acreage intentions and 10-year average yields. (See Footnote 3, Table 6).

2/ A factor of some significance in the current period has been the fact that recent gains in employment have been concentrated in the service industries where wage rates tend to be lower than in the goods-producing industries. Structural changes of this nature in the composition of employment have slowed the rate of growth in labour income and this in turn may have had an effect on the level of personal expenditures.

Quarter to Quarter Changes in Final Purchases  
(Seasonally Adjusted at Annual Rates)  
(\$ millions)

	1Q'56	2Q'56	3Q'56	4Q'56	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'56	3Q'56	4Q'56	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60
Personal Exp...	444	364	280	268	276	284	44	432	164	256	576	300	88	280	476	-136
Gov't. Exp....	44	404	76	-64	124	120	-28	184	84	168	88	4	276	-168	-88	68
Res. Constr...	8	-60	-88	-80	12	48	96	136	96	52	84	-120	-8	-28	28	-
Non.-Res. Con.	308	172	144	192	76	16	-56	-216	-8	-60	-100	-132	-	8	64	-12
Mach. & Equip.	220	160	120	208	-168	-180	-212	-64	-112	-16	100	-40	228	144	-68	-72
Exports.....	284	-60	40	56	-252	264	-164	8	-4	-168	284	-96	276	8	328	192
Total Final Purchases..	1,308	980	572	580	68	552	-320	480	220	232	1,032	-84	860	192	844	40
(Final Domestic Demand)...	(1,024)	(1,040)	(532)	(524)	(320)	(288)	(-156)	(472)	(224)	(400)	(748)	(12)	(584)	(236)	(412)	(-152)

Quarter to Quarter Changes in Other Selected Items

"Shift" in Non-Farm Bus. Inv.	-436	-220	484	-268	-276	-52	-560	-584	476	180	72	512	-180	128	-104	276
Change in Imports.....	208	56	188	104	-128	-100	-392	-184	-12	92	360	124	176	292	-64	48
Change in GNP (ex farm)...	532	812	760	452	80	284	-484	44	532	416	744	508	520	168	764	216



plant and equipment, seasonally adjusted, following the levelling which occurred in the fourth quarter of last year. The decline was mainly in machinery and equipment investment, and reflected a reduction in outlays by the transportation industry for railway rolling stock. Non-residential construction was little changed in the quarter, and outlays for housing remained steady. However, new orders for construction goods, non-residential building permits, and shipments of construction materials showed declines during the quarter, after allowing for seasonal factors. Housing starts fell sharply during the quarter, although completions were running well above the fourth quarter level.

Other elements of final demand continued to show moderate strength during the quarter, with exports of goods and services advancing further over the fourth quarter, on a seasonally adjusted basis, and government outlays showing a small rise following two quarters of decline in the last half of 1959. The gain in exports reflected continued strength in both overseas markets and in the United States for Canadian non-ferrous metal and forest products, particularly copper, nickel, aluminum, and lumber. On a year-to-year basis, commodity exports were higher than the first quarter of 1959 by 21 per cent.

These developments in the major demand categories during the first quarter were accompanied by shifts in the composition of the income flow. With labour income rising by less than 1 per cent from the fourth quarter, profits remaining unchanged, and net income of unincorporated business enterprises reflecting a decline in retail trade, the advance in national income in the first quarter was small, amounting to about one-half of 1 per cent. This rate of growth is considerably less than that which occurred during the fourth quarter of 1959, when national income advanced by 2 per cent, and labour income showed a similar rise. The rate of advance in both personal and disposable income has also slackened in recent quarters; while the first quarter rise in these two components, amounting to about 1 per cent, was similar to that which occurred in the fourth quarter of 1959, the rates of increase are now running well below those of a year ago.

The Table below shows percentage changes in some of the main income components from the first quarter of 1959 to the first quarter of 1960, compared with those which occurred in the same period one year earlier.

Changes in Major Income Components  
(Seasonally Adjusted at Annual Rates)

Selected Personal and Business Income Components	Percent Change 1Q 1958 to 1Q 1959	Percent Change 1Q 1959 to 1Q 1960
1. National Income .....	8.1	3.8
2. Personal Income .....	6.4	4.2
3. Disposable Income .....	6.4	3.3
4. Wages and Salaries .....	7.6	5.0
5. Corporate Profits Before Taxes .....	19.7	4.4
6. Net Income of Non-Farm Unincorporated Business .....	3.5	-2.1

### Production and Employment

The advance in the physical volume of output between the fourth quarter of 1959 and the first quarter of 1960, estimated at slightly less than 1 per cent, on



a seasonally adjusted basis, reflected mixed and partly offsetting movements in individual industries. Available information indicates that gains occurred in manufacturing production, public utilities, agriculture, finance, insurance, and real estate, government, and "other" services. Losses were recorded in mining, forestry, construction, and trade. Taken over all, the increase in production in the first quarter is entirely attributable to the goods-producing industries; output in the service-producing industries was, on balance, unchanged. Over the full year, the volume of output in the first quarter of 1960 was running about 4 per cent above the first quarter of 1959.

Manufacturing output in the first quarter of 1960 showed a gain of 1.5 per cent over the fourth quarter of 1959, on a seasonally adjusted basis; however, the level of manufacturing production in March was about 2.5 per cent below the level at the beginning of the year. The increase in durable goods output over the full quarter was somewhat greater than that in the non-durable group. Within durables, much the largest gain was in the transportation equipment industry, which showed an increase of 17 per cent, largely reflecting the resumption of operations in the automotive industry which were interrupted in the fourth quarter when stocks of steel imported from the United States became depleted; production of motor vehicles rose by 35 per cent in the quarter. Production in ship-building was also up, but output in the aircraft and railway rolling stock industries was lower. Changes in the output of other durable goods industries were mixed and more moderate; production was higher in non-ferrous metal products and electrical apparatus and supplies, roughly unchanged in non-metallic mineral products, and lower in iron and steel and wood products.

The non-durable manufacturing industries also showed varying trends in production in the first quarter. Those industries recording gains were textiles, rubber products, chemicals, and products of petroleum and coal; the largest gains, amounting to 8 and 7 per cent respectively, were in the first two of these industries. Declines in production of other non-durable goods were moderate except in the tobacco and tobacco products industry where output fell 7 per cent.

By comparison with the same period a year earlier, manufacturing production in the first quarter was about 5 1/2 per cent higher, with both durables and non-durables showing closely similar gains. All the durable goods industries except non-metallic mineral products and wood products were above a year ago, the largest increases being in non-ferrous metal products (12 per cent), and iron and steel products (9 per cent). Among the non-durable goods industries, clothing, rubber products and leather products were lower by amounts ranging from 1 to 4 per cent; all other industries recorded gains, the largest (15 per cent) being in chemicals.

Output of public utilities continued to make relatively large gains in the first quarter; the increase from the fourth quarter of 1959 was more than 3 per cent and from the same quarter a year earlier about 13 1/2 per cent. The major factor in these gains was the continued expansion in the distribution of natural gas to final users; higher output in electric power utilities also contributed to these changes.

Mining output fell nearly 1 per cent between the fourth quarter of 1959 and the first quarter of 1960, after seasonal adjustment; production was unchanged in metal mining, fractionally lower in fuels, and significantly lower in non-metals and quarrying. There were some striking changes in the composition of the output of metals within an unchanged total; major gains occurred in lead, zinc and copper (up 17, 10 and 8 per cent respectively) and major declines in iron ore and nickel (down 19 and 7 per cent). By comparison with a year earlier, mining output was



higher by 7 per cent, with gains in fuels, non-metals and metals, ranging from 5 to 10 1/2 per cent; quarrying output was down 4 per cent.

While output in the forestry industry was down moderately from the fourth quarter of 1959, seasonally adjusted, in the year-over-year comparison the rise in production of 12 1/2 per cent was the largest of any major industry except public utilities. Exports of forest products in the first quarter were running higher than a year ago by 15 1/2 per cent.

The physical volume of activity in the construction industry was down slightly in the first quarter, compared with the preceding quarter, reflecting the slight fall-off in non-residential construction activity.

The volume of output in the trade group in the first quarter was affected by the decline in consumer spending, and showed a slight drop from the fourth quarter of 1959 on a seasonally adjusted basis. Compared with a year earlier, output in trade in the first quarter of 1960 was only slightly above the first quarter of 1959, with all of the gain occurring in the wholesale trade group.

The overall gain in the physical volume of production in the first quarter was accompanied by further increases in employment. The total number of persons with jobs rose 0.4 per cent from the fourth quarter to the first quarter, seasonally adjusted, as did the number with jobs in the non-farm sector. The total number of persons with jobs was higher by 131 thousand than in the same period a year earlier; the number of persons with jobs in the non-farm sector was 158 thousand above a year ago. The gain in total employment of 2.4 per cent over the full year was somewhat smaller than the gain in total production which is estimated to have been about 4 per cent. At the same time, hours of work have declined a little in three of the four industries for which data are available. The number of persons without jobs and seeking work averaged 541 thousand in the first quarter of 1960, compared with 533 thousand in the first quarter of 1959.

### Consumer Buying

Personal expenditure on consumer goods and services, seasonally adjusted, declined by 0.6 per cent in the first quarter of 1960 from the level of the preceding quarter. The decline was accompanied by a small drop in the price of consumer goods. In terms of the real volume of consumption, the first quarter decline was only about half of that indicated by the value figures. Compared with one year earlier, consumer spending in the first quarter was about 3 per cent above the first quarter of 1959 in value terms, and about 2 per cent in terms of volume.

The drop in total consumer expenditure in the first quarter was caused entirely by a decline in expenditures for non-durable goods, which were 1 1/2 per cent below the level of the fourth quarter, on a seasonally adjusted basis. Declines were evident in most commodities; the only important exceptions being alcoholic beverages (+4 per cent) and electricity (+3 per cent). Food declined by 1 per cent; tobacco by 1 1/2 per cent; clothing and footwear by almost 3 per cent; gas, oil, and grease and auto parts and accessories both by 5 per cent; and fuel by 1 1/2 per cent. However, there were price declines in many of these commodities, so that the changes in real consumption were less marked. The most notable example of this occurred in food. With a price decline slightly greater than 1 per cent, there was actually a fractional rise in the real volume of food consumption. For all non-durables, the price decline of greater than 1/2 per cent dampened the drop in real consumption to about 1 per cent.



Expenditures on durable goods were relatively unchanged in the first quarter, on a seasonally adjusted basis. Here again some price declines were evident. For durables as a whole, these price declines averaged almost 1 per cent, so that there was a corresponding increase in real consumption. The largest single durable component, purchases of new and used autos, rose by slightly more than 1 per cent. A decline in expenditures on household appliances and radios reflected a drop in price, and it is estimated that there was a 2 per cent increase in real consumption. Purchases of furniture declined by 2 per cent.

Expenditures on services also showed little change in the first quarter. In contrast to durable and non-durable goods, the prices of services continued their upward trend. Increases in expenditures on personal services, medical care, purchased transportation, and shelter, were almost offset by declines in user-operated transportation, recreation, and net expenditures abroad.

The flow of consumer income has been retarded in recent quarters by a number of factors, among which were the industrial disputes in both Canada and the United States in the last half of 1959, and a structural change in employment which is characterized by a higher proportion of new workers entering the lower wage rate service-producing industries. In addition, hours worked per week have declined in a number of industries in recent quarters. Disposable income remained unchanged between the second and fourth quarters of 1959, and in the first quarter of 1960 was less than 1 per cent above the earlier period. However, the rate of personal saving rose sharply in the first quarter, reflecting the decline in consumer spending and a modest advance in disposable income.

Consumer credit outstanding, including unsecured bank personal loans, rose by 10 per cent between March 31st, 1959 and March 31st, 1960, with the greater part of the increase centred in personal loans from chartered banks which were higher by 15 per cent. As a percent of disposable income, consumer credit outstanding was 11.9 per cent in the first quarter of 1960 compared with 11.1 per cent one year earlier. The data suggest that, after making allowance for seasonal factors, there was little change in consumer credit outstanding from the fourth quarter of 1959 to the first quarter of 1960.

### Investment in Business Inventories

Business inventories in the first quarter of 1960 were built up at a seasonally adjusted annual rate of \$572 million, a rate of accumulation nearly twice as high as in the closing quarter of 1959. While retail trade accounts for the major part of the increase in the rate of stock-building, there was also a considerably higher rate of accumulation in wholesale trade. Stocks of manufacturers continued to accumulate at about the same rate as in the preceding quarter. Investment in business inventories by broad industrial groups in the two quarters is shown in the following table:

Change in Business Inventories  
(Seasonally Adjusted at Annual Rates)  
(millions of dollars)

	4th Quarter 1959	1st Quarter 1960
Manufacturing .....	208	192
Durables .....	168	8
Non-Durables .....	40	184
Retail Trade .....	40	256
Motor Vehicle Dealers .....	-112	100
Other .....	152	156
Wholesale Trade .....	52	108
Other .....	-4	16
Total .....	296	572

The movement of stocks in retail trade was dominated by the changes in inventory in the hands of motor vehicle dealers. Stocks of motor vehicle dealers had been drawn down in the fourth quarter when automotive production was interrupted as a consequence of the United States' steel strike. The resumption of production on a large scale, together with a fairly modest increase in sales, combined to produce heavy inventory accumulation in the first quarter. Retail stocks in other durable lines, considered as a group, continued to accumulate, but at a lower rate than in the fourth quarter; a shift from heavy accumulation to moderate liquidation in the lumber and building materials' trade between the two quarters was the paramount factor in this development.

Retail stocks in non-durables' lines accumulated at a considerably higher rate in the quarter. Accumulation was fairly general among the trades, in contrast to the fourth quarter, when stocks remained unchanged in many industries. Inventories in the food group continued to accumulate, though at a lower rate than in the fourth quarter.

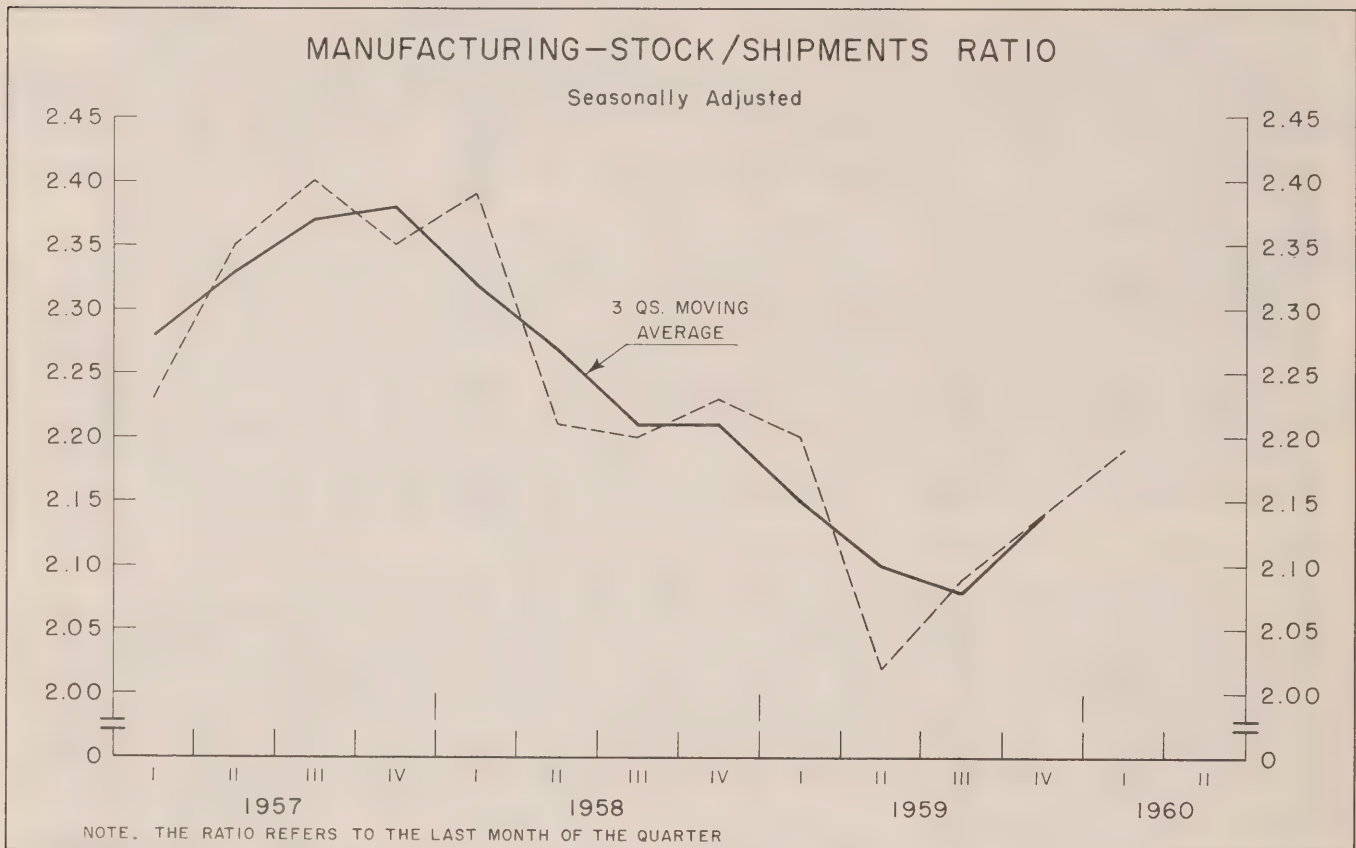
Within wholesale trade, the accumulation of stocks was substantial in both durable and non-durable lines. However, liquidation took place in some trades, prominent among them being industrial and commercial equipment and construction and building materials.

The approximately steady rate of stock-building in manufacturing industries in the first quarter reflects strongly opposed developments in durable and non-durable industries. The rate of accumulation fell sharply in the durable industries, reflecting a markedly reduced rate of stock-building in iron and steel, a shift to heavy liquidation in non-ferrous metals and a shift to moderate liquidation in electrical apparatus and supplies and in non-metallic mineral products; in the wood products industry the shift was in the opposite direction, stocks having been drawn



down a little in the fourth quarter and built up considerably in the first quarter.

In the non-durable goods-manufacturing group, the rate of stock accumulation in the first quarter was sharply higher, the highest rates of build-up being in food, chemicals and paper industries.



Business inventories have been built up at varying rates, from quarter to quarter, since the beginning of 1959. By the end of the first quarter of 1960, the relationship of stocks to sales differed considerably in some instances from what it had been a year earlier. In retail trade the ratio of stocks to sales was considerably higher than a year earlier, and also above the 1954 and 1957 peaks, on a seasonally adjusted basis. Stocks of automotive dealers in relation to sales were at a post-war high for that time of the year at the end of March. In wholesale trade, on the other hand, stocks were somewhat lower in relation to sales than a year earlier, and much below the 1954 and 1957 peaks. In manufacturing, the ratio of stocks to shipments was virtually unchanged from a year earlier, but again well below the previous peaks reached in 1953 and 1957. (See Chart).

The relatively low levels of stock/sales (or shipments) ratios in a number of industries during the course of the current expansion have given rise to considerable comment. A number of explanations have been suggested for this, including the



possibility that the spread of electronic data processing has led to more effective inventory control, the high rates of interest which have discouraged excessive inventory investment, and the existence of excess capacity which makes it possible to obtain prompt delivery on order. The incentive to accumulate inventories in anticipation of higher prices has also disappeared as prices have been more stable during the recent period.

### Exports and Imports of Goods and Services

Exports of goods and services continued to rise in the first quarter of 1960, and at a seasonally adjusted annual rate of \$7.2 billion were nearly 3 per cent higher than in the fourth quarter of 1959 when they were at an all-time peak. For the third quarter in succession, imports of goods and services showed very little change. At a seasonally adjusted annual rate of \$8.3 billion, they were less than 1 per cent higher than in the fourth quarter.

Merchandise exports were at a rate of \$5.7 billion in the first quarter, about 2 1/2 per cent above the level of the preceding quarter. Gains were recorded by almost all the main commodity groups, iron and its products being an important exception. The quarter-to-quarter increases were moderate in most commodity groups except non-ferrous metals. The advance of 12 per cent in exports of non-ferrous metals was the fifth successive quarterly increase for this important export group.

Incomplete detail on commodity imports suggests that the commodity composition of merchandise imports changed considerably between the two quarters. Imports of non-metallic products, agricultural products, wood products, chemicals, and animal products declined, while increases occurred in imports of iron products, and non-ferrous metal products.

On a seasonally adjusted basis, receipts from services rose moderately while payments for services fell moderately between the two quarters. The service series are, however, highly irregular and these movements are not necessarily significant.

The consequence of these divergent movements in total payments and receipts was a further narrowing of the deficit on international current account. The merchandise account came closer into balance, after having fallen to about \$70 million in the fourth quarter of 1959 from about \$590 million in the third (all data at seasonally adjusted annual rates). The overall deficit fell from about \$1.2 billion in the fourth quarter of 1959 to about \$1.1 billion in the first quarter of 1960.

The international current account for the first quarter of 1960 is compared with the same period a year ago in the following table:-

	1Q'59 <sup>1/</sup>	1Q'60	Change
	(millions of dollars)		
Receipts .....	1,347	1,586	239
Merchandise .....	1,061	1,284	223
Services .....	286	302	16
Payments .....	1,745	1,887	142
Merchandise .....	1,215	1,330	115
Services .....	530	557	27
Deficit .....	398	301	-97
Merchandise .....	154	46	-108
Services .....	244	255	11

<sup>1/</sup> Small revisions in the 1959 Balance of Payments data have not yet been incorporated in the National Accounts.

In this comparison, merchandise exports rose about twice as much as merchandise imports and the deficit on merchandise trade fell sharply. The deficit on services continued to increase.

The major gains in merchandise exports in this comparison were in exports of metals and forest products; the increase in exports of steel, copper, nickel and aluminum was particularly large; other important export commodities showing gains were uranium, pulp and paper and lumber. The increase in imports was widely distributed among commodities; automobiles, industrial materials and machinery and equipment showed further increases; petroleum and some agricultural commodities were exceptions to this trend.

### Fixed Capital Formation

Total spending on gross fixed capital formation showed a small decline in the first quarter, from a seasonally adjusted annual rate of \$7.1 billion in the fourth quarter of 1959, to \$7.0 billion, a drop of 1 per cent. The first quarter figure represents a rate only slightly below the \$7.1 billion foreseen by businessmen for the year 1960 as a whole in the outlook survey published last February.

The first quarter decline was centred in business outlays for new plant and equipment and was mainly attributable to a fall-off of 3 per cent in machinery and equipment investment. The latter development reflected reduced outlays by the transportation industry for railway rolling stock. Non-residential construction expenditures showed a fractional loss.

The value of housing construction was unchanged in the first quarter from the level of \$1,748 million reached in the fourth quarter of 1959. This rate of investment is at present somewhat above the predicted level of \$1,677 million for the whole year, although the first quarter decline of 33 per cent in dwelling unit starts (seasonally adjusted) suggests there will likely be a fairly substantial falling off in housing investment in the second quarter. The completion of 157.7 thousand dwelling units in the first quarter (reflecting the high level of starts in the two previous quarters), was responsible for the maintenance of the high value of residential construction put in place during the quarter.



Related statistical information indicates that, after allowing for seasonal factors, there was a drop in shipments of construction materials in the first quarter, and also a drop in new orders received by those industries producing construction goods.

### Changes in Income Components

National income, seasonally adjusted, showed only a small rise in the first quarter of 1960, as the rate of increase in labour income slowed, and corporation profits remained unchanged. Net income of non-farm unincorporated business enterprises fell during the quarter, reflecting losses in retail trade; however, there was an increase in net income of farm operators associated with a rise in production of livestock. The flow of interest, dividends and net rental income of persons continued upward.

The small advance in labour income from the fourth quarter of 1959 (seasonally adjusted), reflected the slight fall-off in this component which occurred between January and March. The main contributors to this decline within the quarter were forestry, construction, and transportation; adverse weather conditions affected logging operations in British Columbia and also had an influence on railway operations and construction activity.

Taking the quarter as a whole, the increase of 0.8 per cent in labour income from the fourth quarter of 1959 was concentrated in the service industries; labour income in manufacturing showed virtually no change, and labour income in construction declined. Most of the small first quarter increase appears to be attributable to higher wage rates since employment of paid workers showed little change and hours of work were lower in some industries.

Compared with one year earlier, labour income was higher by 5 per cent in the first quarter of 1960. The service industries continued to record relatively large gains -- more than 7 per cent. As is shown in the accompanying Table, a slight reduction in the length of the average work week operated to restrain the expansion of labour income in manufacturing and mining.

	<u>Employment</u>	<u>Hours Worked Per Week</u>	<u>Average Hourly Earnings</u>	<u>Labour Income</u>
	(1)	(2)	(3)	(4)
Manufacturing ....	0.9 %	-0.2 %	1.4 %	4.2 %
Mining .....	1.9 %	-0.3 %	2.5 %	3.5 %

NOTE: Columns (1) and (4) refer to all paid workers; columns (2) and (3) refer to production workers only.

The relatively unchanged level of corporation profits in the first quarter of 1960 conceals divergent trends in individual industries. Profits declined in mining by 10 per cent, associated with a small drop in output in this industry in the first quarter. Profits in manufacturing declined by 2 per cent, with a moderate fall-off in foods and beverages, and a sharp drop in non-metallic mineral products; the latter may be associated with the decline in output in the construction industry, which is a large consumer of cement and glass products. Profits



were also lower in the retail and wholesale trade industries in the first quarter, the decline amounting to 10 per cent for the trade group as a whole.

The declines in these industries were counter-balanced by higher profits in a number of other industrial groups. Gains occurred in public utility operation and in some of the service industries. Within manufacturing, the major gain was in electrical apparatus and supplies. Profits in transportation, storage and communication showed a sharp increase in the quarter.

Seasonally adjusted corporation profits data by industry are now being released on a regular basis in the quarterly D.B.S. series, "Corporation Profits", published by the Business Finance Division of D.B.S. Detail of the changes described above will appear in the first quarter 1960 issue of this publication.

Compared with one year earlier, corporation profits (after dividends paid abroad) in the first quarter of 1960 were higher by about 5 per cent; at \$2.9 billion, profits in the first quarter were running at about the same seasonally adjusted annual rate as that reached at the previous peak in mid-1956.



TABLE 1. NATIONAL INCOME AND  
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,864	4,104	4,252	4,214	16,434
2. Military Pay and Allowances .....	117	126	125	123	491
3. Corporation Profits before Taxes <sup>1</sup> .....	471	658	686	668	2,483
4. Rent, Interest, and Miscellaneous Investment Income ..	459	471	532	553	2,015
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	10	133	877	173	1,193
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	431	533	551	604	2,119
7. Inventory Valuation Adjustment <sup>4</sup> .....	-27	15	5	-26	-33
8. NET NATIONAL INCOME AT FACTOR COST .....	5,325	6,040	7,028	6,309	24,702
9. Indirect Taxes less Subsidies .....	950	968	963	1,002	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	955	1,002	979	987	3,923
11. Residual Error of Estimate .....	-120	-30	124	124	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,110	7,980	9,094	8,422	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,100)	(7,847)	(8,217)	(8,249)	(31,413)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 3, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	4,834	5,215	5,166	5,820	21,035
2. Government Expenditure on Goods and Services <sup>1,2</sup> .....	1,360	1,431	1,763	1,607	6,161
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	1,410	1,883	1,913	1,769	6,975
4. New Residential Construction .....	301	458	494	510	1,763
5. New Non-Residential Construction .....	532	718	852	709	2,811
6. New Machinery and Equipment <sup>4</sup> .....	577	707	567	550	2,401
7. Value of Physical Change in Inventories <sup>5</sup> .....	-358	-265	561	-373	-435
8. Non-Farm Business Inventories .....	-51	-146	-84	-42	-323
9. Farm Inventories and Grain in Commercial Channels ..	-307	-119	645	-331	-112
10. Exports of Goods and Services .....	1,387	1,616	1,655	1,674	6,332
11. Deduct: Imports of Goods and Services .....	-1,643	-1,930	-1,840	-1,950	-7,363
12. Residual Error of Estimate .....	120	30	-124	-125	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,110	7,980	9,094	8,422	32,606

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes defence expenditures of:

(Millions of Dollars)

1958					1959					1960
I	II	III	IV	Year	I	II	III	IV	Year	I
472	377	404	408	1,661	457	356	371	376	1,560	433

3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

4. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

5. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).



GROSS NATIONAL PRODUCT, BY QUARTERS, 1958-1960  
of dollars)

1959				1960	
I	II	III	IV	Year	I
4,171	4,437	4,571	4,538	17,717	4,382
118	129	127	122	496	120
568	810	780	678	2,836	597
513	504	517	560	2,094	522
-29	151	920	66	1,108	-17
453	552	543	602	2,150	445
-33	-42	-42	-3	-120	-37
5,761	6,541	7,416	6,563	26,281	6,012
1,000	1,056	1,079	1,085	4,220	1,072
962	1,070	1,036	1,063	4,131	1,017
-120	-103	80	104	-39	-78
7,603	8,564	9,611	8,815	34,593	8,023
(7,632)	(8,413)	(8,691)	(8,749)	(33,485)	(8,040)

EXPENDITURE, BY QUARTERS, 1958-1960  
of dollars)

1959				1960	
I	II	III	IV	Year	I
5,163	5,523	5,442	6,133	22,261	5,327
1,444	1,556	1,818	1,619	6,437	1,461
1,341	1,899	1,946	1,775	6,961	1,414
322	462	480	479	1,743	337
471	646	783	692	2,592	474
548	791	683	604	2,626	603
-68	-80	774	-326	300	44
262	-13	60	46	355	330
-330	-67	714	-372	-55	-286
1,347	1,727	1,779	1,804	6,657	1,586
-1,745	-2,164	-2,067	-2,086	-8,062	-1,887
121	103	-81	-104	39	78
7,603	8,564	9,611	8,815	34,593	8,023

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,864	4,104	4,252	4,214	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-152	-149	-156	-157	-614
3. Military Pay and Allowances .....	117	126	125	123	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	30	140	868	159	1,197
5. Net Income of Non-Farm Unincorporated Business .....	431	533	551	604	2,119
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	497	538	535	550	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	765	638	599	655	2,657
8. Charitable Contributions by Corporations .....	7	9	10	10	36
9. PERSONAL INCOME .....	5,559	5,939	6,784	6,158	24,440

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	456	431	440	467	1,794
2. Income Taxes .....	380	376	393	406	1,555
3. Succession Duties .....	33	33	27	33	126
4. Miscellaneous .....	43	22	20	28	113
5. Personal Expenditure on Consumer Goods and Services:	4,834	5,215	5,166	5,820	21,035
6. Non-Durable Goods .....	2,453	2,609	2,651	3,140	10,853
7. Durable Goods .....	538	688	600	674	2,500
8. Services <sup>1</sup> .....	1,843	1,918	1,915	2,006	7,682
9. Personal Net Saving: .....	269	293	1,178	-129	1,611
10. Personal Saving Excluding Change in Farm Inventories	531	386	567	206	1,690
11. Value of Physical Change in Farm Inventories .....	-262	-93	611	-335	-79
12. PERSONAL INCOME .....	5,559	5,939	6,784	6,158	24,440
13. (Personal Disposable Income) <sup>2</sup> .....	(5,103)	(5,508)	(6,344)	(5,691)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1958-1960  
of dollars)

1959				1960	
I	II	III	IV	Year	I
4,171	4,437	4,571	4,538	17,717	4,382
-162	-157	-164	-181	-664	-187
118	129	127	122	496	120
-10	175	908	43	1,116	-
453	552	543	602	2,150	445
529	577	574	620	2,300	578
824	689	636	636	2,785	881
8	11	11	10	40	9
5,931	6,413	7,206	6,390	25,940	6,228

INCOME, BY QUARTERS, 1958-1960  
of dollars)

1959				1960	
I	II	III	IV	Year	I
480	531	525	552	2,088	552
375	447	454	471	1,747	429
35	30	30	35	130	44
70	54	41	46	211	79
5,163	5,523	5,442	6,133	22,261	5,327
2,570	2,711	2,789	3,330	11,400	2,649
584	763	624	687	2,658	582
2,009	2,049	2,029	2,116	8,203	2,096
288	359	1,239	-295	1,591	349
595	405	569	89	1,658	580
-307	-46	670	-384	-67	-231
5,931	6,413	7,206	6,390	25,940	6,228
(5,451)	(5,882)	(6,681)	(5,838)	(23,852)	(5,676)



TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Wages, Salaries, and Supplementary Labour Income ....	16,144	16,360	16,460	16,772	16,434
2. Military Pay and Allowances .....	496	500	476	492	491
3. Corporation Profits before Taxes <sup>1</sup> .....	2,340	2,260	2,468	2,864	2,483
4. Rent, Interest, and Miscellaneous Investment Income..	1,872	1,948	2,108	2,132	2,015
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,168	1,280	1,256	1,068	1,193
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	2,068	2,064	2,120	2,224	2,119
7. Inventory Valuation Adjustment .....	-108	60	20	-104	-33
8. NET NATIONAL INCOME AT FACTOR COST .....	23,980	24,472	24,908	25,448	24,702
9. Indirect Taxes less Subsidies .....	3,872	3,828	3,820	4,012	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,972	3,936	3,880	3,904	3,923
11. Residual Error of Estimate .....	-36	196	216	16	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	31,788	32,432	32,824	33,380	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,620)	(31,152)	(31,568)	(32,312)	(31,413)

1. Excludes dividends paid to non-residents.
2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.
3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Personal Expenditure on Consumer Goods and Services..	20,640	20,804	21,060	21,636	21,035
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,992	6,076	6,244	6,332	6,161
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,984	6,960	6,936	7,020	6,975
4. New Residential Construction .....	1,644	1,740	1,792	1,876	1,763
5. New Non-Residential Construction .....	2,872	2,864	2,804	2,704	2,811
6. New Machinery and Equipment <sup>3</sup> .....	2,468	2,356	2,340	2,440	2,401
7. Value of Physical Change in Inventories .....	-980	-332	-56	-372	-435
8. Non-Farm Business Inventories .....	-788	-312	-132	-60	-323
9. Farm Inventories and Grain in Commercial Channels <sup>4</sup>	-192	-20	76	-312	-112
10. Exports of Goods and Services .....	6,348	6,344	6,176	6,460	6,332
11. Deduct: Imports of Goods and Services .....	-7,236	-7,224	-7,316	-7,676	-7,363
12. Residual Error of Estimate .....	40	-196	-220	-20	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	31,788	32,432	32,824	33,380	32,606

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
3. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook, 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

(millions)

	1958				
	I	II	III	IV	Year
4. Detail: Farm Inventories -					
Value of grain crop production .....	860	860	860	860	860
Depletion of farm stocks of grain .....	-972	-992	-872	-1,004	-960
Change in livestock inventories .....	-12	196	72	-172	21
Grain in Commercial Channels .....	-68	-84	16	4	-33

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

## NATIONAL PRODUCT, BY QUARTERS, 1958-1960

AT ANNUAL RATES

of dollars)

1959				1960		
I	II	III	IV	Year	I	
17,372	17,640	17,756	18,100	17,717	18,244	1.
500	508	488	488	496	508	2.
2,800	2,796	2,816	2,932	2,836	2,924	3.
2,112	2,056	2,088	2,120	2,094	2,200	4.
1,136	1,188	1,108	1,000	1,108	1,100	5.
2,140	2,156	2,128	2,176	2,150	2,096	6.
-132	-168	-168	-12	-120	-148	7.
25,928	26,176	26,216	26,804	26,281	26,924	8.
4,076	4,188	4,268	4,348	4,220	4,348	9.
4,008	4,152	4,132	4,232	4,131	4,268	10.
-56	12	-	-112	-39	48	11.
33,956	34,528	34,616	35,272	34,593	35,588	12.
(32,820)	(33,340)	(33,508)	(34,272)	(33,485)	(34,488)	13.

## BY QUARTERS, 1958-1960

AT ANNUAL RATES

of dollars)

1959				1960		
I	II	III	IV	Year	I	
21,936	22,024	22,304	22,780	22,261	22,644	1.
6,336	6,612	6,444	6,356	6,437	6,424	2.
6,728	6,948	7,072	7,096	6,961	7,012	3.
1,756	1,748	1,720	1,748	1,743	1,748	4.
2,572	2,572	2,580	2,644	2,592	2,632	5.
2,400	2,628	2,772	2,704	2,626	2,632	6.
332	296	412	160	300	640	7.
452	272	400	296	355	572	8.
-120	24	12	-136	-55	68	9.
6,364	6,640	6,648	6,976	6,657	7,168	10.
-7,800	-7,976	-8,268	-8,204	-8,062	-8,252	11.
60	-16	4	108	39	-48	12.
33,956	34,528	34,616	35,272	34,593	35,588	13.

of dollars)

1959					1960
I	II	III	IV	Year	I
920	924	924	924	923	976
-1,108	-832	-1,024	-1,080	-1,011	-884
60	-4	56	-28	21	96
8	-64	56	48	12	-120

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Wages, Salaries, and Supplementary Labour Income ...	16,144	16,360	16,460	16,772	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-600	-608	-620	-628	-614
3. Military Pay and Allowances .....	496	500	476	492	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,196	1,256	1,284	1,052	1,197
5. Net Income of Non-Farm Unincorporated Business .....	2,068	2,064	2,120	2,224	2,119
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	2,080	2,092	2,196	2,112	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	2,472	2,644	2,616	2,896	2,657
8. Charitable Contributions by Corporations .....	36	32	36	40	36
9. PERSONAL INCOME .....	23,892	24,340	24,568	24,960	24,440

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Personal Direct Taxes: .....	1,832	1,688	1,784	1,872	1,794
2. Income Taxes .....	1,596	1,460	1,572	1,592	1,555
3. Succession Duties .....	132	132	108	132	126
4. Miscellaneous .....	104	96	104	148	113
5. Personal Expenditure on Consumer Goods and Services:	20,640	20,804	21,060	21,636	21,035
6. Non-Durable Goods .....	10,752	10,808	10,824	11,028	10,853
7. Durable Goods .....	2,492	2,420	2,464	2,624	2,500
8. Services <sup>1</sup> .....	7,396	7,576	7,772	7,984	7,682
9. Personal Net Saving .....	1,420	1,848	1,724	1,452	1,611
10. PERSONAL INCOME .....	23,892	24,340	24,568	24,960	24,440
11. (Personal Disposable Income) <sup>2</sup> .....	(22,060)	(22,652)	(22,784)	(23,088)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				1960	
I	II	III	IV	Year	I
17,372	17,640	17,756	18,100	17,717	18,244 1.
-640	-640	-652	-724	-664	-740 2.
500	508	488	488	496	508 3.
1,128	1,248	1,120	968	1,116	1,072 4.
2,140	2,156	2,128	2,176	2,150	2,096 5.
2,212	2,248	2,356	2,384	2,300	2,420 6.
2,672	2,860	2,788	2,820	2,785	2,864 7.
40	40	40	40	40	40 8.
25,424	26,060	26,024	26,252	25,940	26,504 9.

INCOME, BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				1960	
I	II	III	IV	Year	I
1,956	2,044	2,148	2,204	2,088	2,260 1.
1,616	1,700	1,820	1,852	1,747	1,844 2.
140	120	120	140	130	176 3.
200	224	208	212	211	240 4.
21,936	22,024	22,304	22,780	22,261	22,644 5.
11,156	11,288	11,456	11,700	11,400	11,524 6.
2,708	2,664	2,584	2,676	2,658	2,684 7.
8,072	8,072	8,264	8,404	8,203	8,436 8.
1,532	1,992	1,572	1,268	1,591	1,600 9.
25,424	26,060	26,024	26,252	25,940	26,504 10.
(23,468)	(24,016)	(23,876)	(24,048)	(23,852)	(24,244) 11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	3,782	4,065	4,030	4,544	16,421
2. Non-Durable Goods .....	2,106	2,222	2,261	2,681	9,270
3. Durable Goods .....	465	590	526	577	2,158
4. Services .....	1,211	1,253	1,243	1,286	4,993
5. Government Expenditure on Goods and Services .....	882	920	1,155	1,028	3,985
6. Business Gross Fixed Capital Formation .....	961	1,285	1,301	1,191	4,738
7. New Residential Construction .....	211	318	341	350	1,220
8. New Non-Residential Construction .....	356	481	572	468	1,877
9. New Machinery and Equipment <sup>3</sup> .....	394	486	388	373	1,641
10. Change in Inventories .....	-377	-334	749	-418	-380
11. Non-Farm Business Inventories .....	-20	-102	-67	-39	-228
12. Farm Inventories and Grain in Commercial Channels...	-357	-232	816	-379	-152
13. Exports of Goods and Services .....	1,186	1,391	1,411	1,452	5,440
14. Deduct: Imports of Goods and Services .....	-1,357	-1,626	-1,559	-1,656	-6,198
15. Residual Error of Estimate .....	88	22	-91	-92	-73
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS.	5,165	5,723	6,996	6,049	23,933

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

3. The 1959 figures reflect the \$150 million adjustment in current dollars made to take account of later available information - see footnote 4, Table 2.

DOLLARS, BY QUARTERS, 1958-1960  
FOR SEASONALITY<sup>1,2</sup>  
of dollars)

1959				1960	
I	II	III	IV	Year	I
3,970	4,273	4,197	4,723	17,163	4,048
2,197	2,335	2,383	2,811	9,726	2,253
493	640	540	586	2,259	488
1,280	1,298	1,274	1,326	5,178	1,307
908	969	1,154	1,000	4,031	886
895	1,258	1,285	1,163	4,601	923
219	307	317	316	1,159	222
308	422	511	447	1,688	302
368	529	457	400	1,754	399
-156	-161	928	-407	204	-80
214	-2	44	25	281	269
-370	-159	884	-432	-77	-349
1,140	1,448	1,464	1,505	5,557	1,318
-1,468	-1,824	-1,752	-1,777	-6,821	-1,596
86	74	-58	-74	28	55
5,375	6,037	7,218	6,133	24,763	5,554





CATALOGUE No.

13-001

QUARTERLY

Canada. Statistics, Bureau of

29



CANADA

NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
SECOND QUARTER  
1960



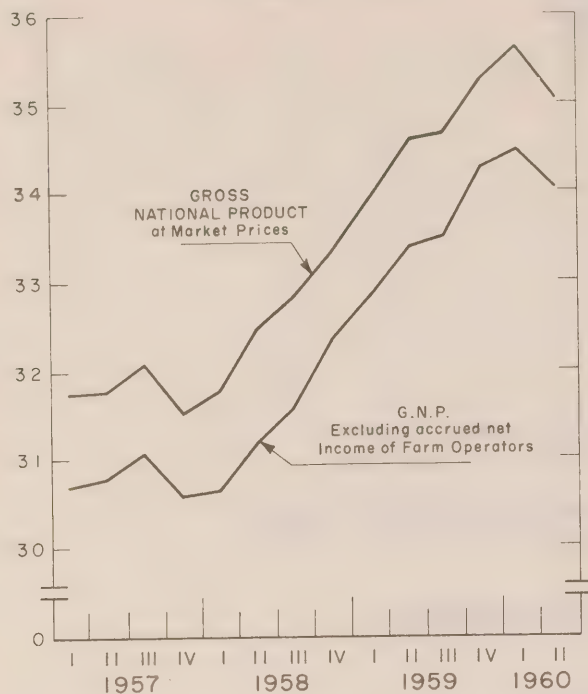
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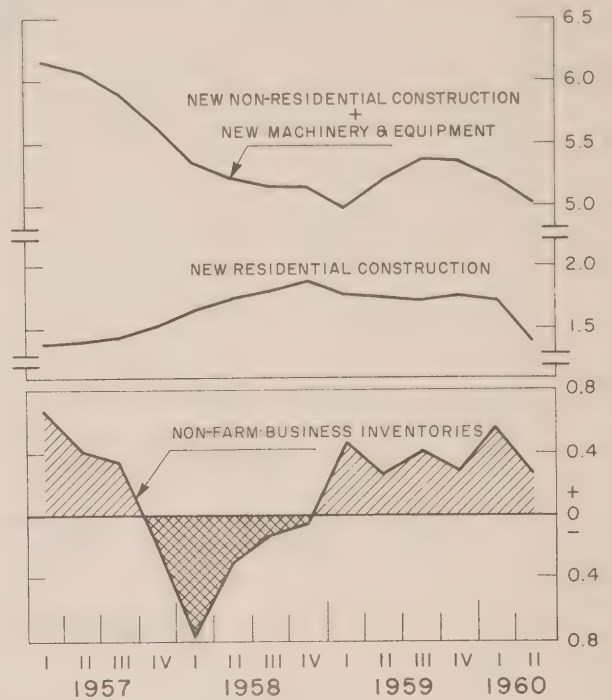
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Price \$2.00 per year

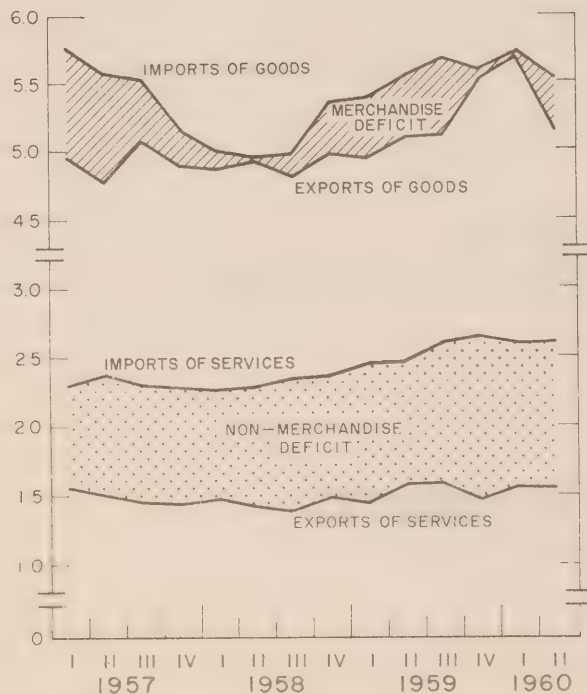
GROSS NATIONAL PRODUCT DECLINED IN THE SECOND QUARTER, FOLLOWING THE SLOW-DOWN IN THE RATE OF ADVANCE WHICH WAS EVIDENT IN THE FIRST QUARTER OF THE YEAR  
BILLIONS OF DOLLARS



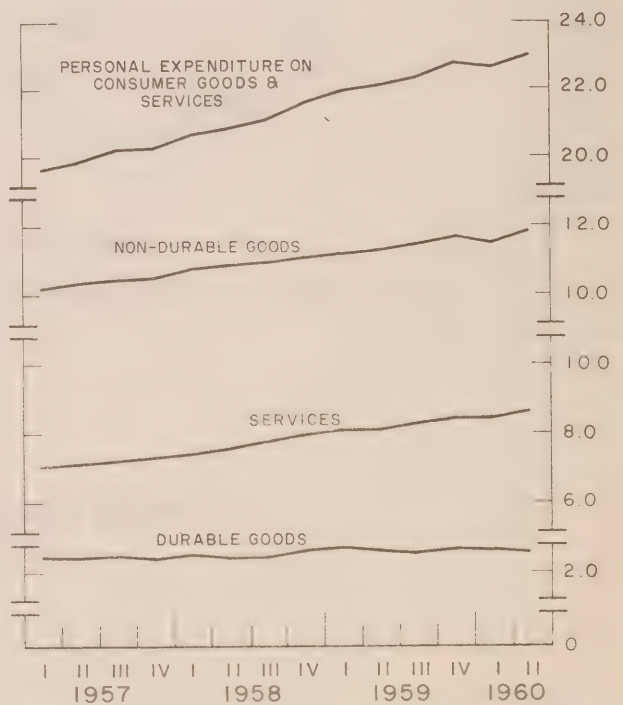
BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT WERE LOWER IN THE QUARTER, AND OUTLAYS FOR NEW HOUSING FELL SHARPLY. THE RATE OF BUSINESS INVENTORY ACCUMULATION EASED  
BILLIONS OF DOLLARS



EXPORTS OF GOODS ALSO MOVED DOWN IN THE QUARTER, WITH IMPORTS OF GOODS SHOWING A SMALLER DECLINE, THE DEFICIT ON MERCHANDISE ACCOUNT WIDENED APPRECIABLY  
BILLIONS OF DOLLARS



CONSUMER SPENDING MADE A SUBSTANTIAL RECOVERY, FOLLOWING THE WEAKNESS WHICH HAD DEVELOPED IN THE FIRST QUARTER  
BILLIONS OF DOLLARS



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)



## INTRODUCTORY REVIEW

The Gross National Product, seasonally adjusted, declined by about one and one-half per cent in the second quarter of 1960, following the slowing down in the rate of advance which was evident in the first quarter of the year. With final product prices substantially unchanged, the decline represented for the most part a drop in the physical volume of output from the level of the preceding quarter. The decline marks the first interruption in the upward course of the economy since the final quarter of 1957 when the value (and volume) of output also showed a small drop. 1/

The reversal in the trend of output in the second quarter was associated with a sizable fall-off in total final purchases of goods and services (see Table over-leaf) which had shown signs of easing in the first quarter. Much of this decline was centred in external demand for exports of goods and services, which fell by 8 per cent, seasonally adjusted; exports to both the United States and other countries were affected. Final domestic demand was also somewhat lower; further declines occurred in business outlays for plant and equipment, while outlays for new housing fell sharply. These downward tendencies were partly, though not completely, offset by a substantial recovery in consumer spending following the weak first quarter. Finally, the rate of business inventory accumulation eased markedly during the quarter, representing a downward shift in terms of new demands on production of close to \$300 million.

While these changes in the major categories of total demand have tended to accumulate in a downward direction in the second quarter, it should be noted that some moderating influences have recently emerged. Merchandise exports recovered strongly in July and were back up to the average levels of the first quarter. (The economies of western Europe have continued buoyant and business conditions in the United States are currently at a very high level). Non-residential building permits were higher in the second quarter, following declines in the first quarter of the year. Thus, the recent tendencies which have appeared in the export figures and in non-residential construction may be somewhat modified when later information becomes available.

The developments in the second quarter have inter-acted to yield a level of production which was about 1 per cent above the same period one year ago in value terms, but about 1 per cent below the same period one year ago in terms of the physical volume of production. Prices over the twelve months have risen by somewhat under 2 per cent.

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1/ In 1957, price increases obscured the fact that the volume of output began moving downward in the second quarter, recovering briefly in the third, then falling further in the fourth quarter.

Quarter to Quarter Changes in Final Purchases  
(Seasonally Adjusted at Annual Rates)  
(\$ millions)

	1Q'56	2Q'56	3Q'56	4Q'56	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60
to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
2Q'56	3Q'56	4Q'56	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	
Personal																	
Exp.....	444	364	280	268	276	284	44	432	164	256	576	300	88	280	476	-104	376
Gov't Exp.	44	404	76	-64	124	120	-28	184	84	168	88	4	276	-168	-88	228	-20
Res. Con...	8	-60	-88	-80	12	48	96	136	96	52	84	-120	-8	-28	28	-40	-312
Non-Res.																	
Constr...	308	172	144	192	76	16	-56	-216	-8	-60	-100	-132	-	8	64	-60	-60
Mach. and																	
Equip....	220	160	120	208	-168	-180	-212	-64	-112	-16	100	-40	228	144	-68	-84	-136
Exports...	284	-60	40	56	-252	264	-164	8	-4	-168	284	-96	276	8	328	248	-544
Total																	
Final																	
Purchases	1,308	980	572	580	68	552	-320	480	220	232	1,032	-84	860	244	740	188	-696
(Final																	
Domestic																	
Demand)...	(1,024)	(1,040)	(532)	(524)	(320)	(288)	(-156)	(472)	(224)	(400)	(748)	(12)	(584)	(236)	(412)	(-60)	(-152)

Quarter to Quarter Changes in Other Selected Items

"Shift" in																	
Non-Farm																	
Bus. Inv.	-436	-220	484	-268	-276	-52	-560	-584	476	180	72	512	-180	128	-104	300	-316
Imports...	208	56	188	104	-128	-100	-392	-184	-12	92	360	124	176	292	-64	96	-196
G.N.P.																	
(ex. farm).	532	812	760	452	80	284	-484	44	532	416	744	508	520	168	764	212	-462



	<u>1Q 1960</u> <u>1Q 1959</u>	<u>2Q 1960</u> <u>2Q 1959</u>	<u>First 6 Mos. 1960</u> <u>First 6 Mos. 1959</u>
Value of Gross National Product.....	6.0 %	0.7 %	3.2 %
Price of Gross National Product <u>1/...</u>	2.0 %	1.7 %	1.8 %
Volume of Gross National Product.....	4.1 %	-1.0 %	1.4 %

1/ The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The implicit deflators are weighted by changes in the expenditure pattern over time, and do not permit accurate measurements of price change. A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

Accompanying these changes in the major demand categories in the second quarter have been associated changes in the composition and direction of the income flows. National income, which had advanced only fractionally in the first quarter, declined by 1 1/2 per cent in the second quarter, on a seasonally adjusted basis. The decline reflected a sharp and widespread drop in corporation profits, and lower returns from other forms of investment income and unincorporated business operations. The flow of income to the business sector was thus substantially reduced in the second quarter.

Turning to the personal account, labour income, which had risen uninterruptedly from quarter to quarter since early in 1958, showed virtually no change in the second quarter of 1960; declines in major goods-producing industries were offset, broadly, by advances in the services sector. Accompanying this stability in labour income, declines occurred in most other forms of personal income in the quarter with the major exception of transfer payments, which rose slightly. On balance, total personal income showed a fractional decline in the quarter, amounting to about one-half of one per cent. This decline in personal income was accompanied by an increase in direct personal tax collections, so that personal disposable income was down to a somewhat greater extent, by about 1 1/2 per cent. With consumer buying higher, the rate of personal saving fell sharply, to 3.9 per cent of personal disposable income. The second quarter decline brought the level of disposable income to a point approximately equal to that of the second quarter one year earlier. Thus, disposable income has shown little change over the past twelve months. This retardation in the rate of growth of both personal and disposable income over the past year appears to be a factor of some significance in the development of recent trends in consumer spending. The latter has risen only moderately in 1960, although it moved forward in the second quarter despite the fall-off in disposable income.

Despite reduced business and personal incomes, the flow of revenues to the government sector continued upward in the second quarter. Direct personal tax collections were higher by 10 per cent, partly reflecting the payment in April of tax arrears on income for the year 1959. At the same time, indirect taxes, seasonally adjusted, were also slightly higher in the second quarter, reflecting for the most part gains in Federal excise taxes. Direct taxes on corporations (on an accrual basis) fell off during the quarter, reflecting the sharp drop in corporation profits. Over all, however, the revenues of the government sector are estimated to have risen by about 2 per cent during the quarter, and were running at an annual rate approximately \$1 billion (or 9 per cent) above the level of the second quarter



of 1959. About half of this increase was in the Federal sector. At the same time, Federal expenditures have shown little change over the past year, so that the deficit has narrowed by the full extent of the increase in revenues. In the provincial-municipal government sectors, expenditures have tended to rise along with revenues and the deficit has shown only a moderate improvement.

The table below shows the percentage changes in some of the main income categories from the first half of 1959 to the first half of 1960, compared with those which occurred in the same period one year earlier.

Changes in Major Components of Income  
(Seasonally Adjusted at Annual Rates)

Selected Personal and Business Income Components	Percent Change First Half 1958 to First Half 1959	Percent Change First Half 1959 to First Half 1960
1. National Income .....	7.5	2.4
2. Personal Income .....	6.7	3.1
3. Disposable Income .....	6.2	1.8
4. Wages and Salaries .....	7.7	4.3
5. Corporate Profits before Taxes ....	21.7	-2.3
6. Net Income of Non-Farm Unincorpor- ated Business .....	4.0	-4.2

Production and Employment

The movement of production by industry in the second quarter reflected the changes in the major categories of demand outlined above. On a seasonally adjusted basis, the volume of total real output is estimated to have declined by close to 1 1/2 per cent. The decline was wholly attributable to the goods-producing industries in which production was down nearly 3 per cent; output in the service-producing industries made a small advance.

The contraction in manufacturing production of about 3 per cent in the second quarter was widespread by industry but more pronounced in the durable sector (5 per cent) than in the non-durable groups (1 1/2 per cent). Production expanded fractionally in one of the major durable groups, namely non-ferrous metal products; in all others, output contracted, the declines ranging from 4 per cent in wood products and 5 per cent in transportation equipment to 7 per cent in iron and steel, electrical apparatus and supplies and non-metallic mineral products. Among individual durable goods industries showing a sharp contraction in output were iron castings, gypsum products and telecommunications equipment; the loss in output in each of these industries exceeded 20 per cent. The fall in output of 15 per cent in concrete products and of 14 per cent in primary iron and steel was also relatively large. In agricultural implements, heating and cooking apparatus, refrigerators and appliances, motor vehicles, motor vehicle parts and wire and wire goods the decline in production was somewhat in excess of the average for durable manufactures as a whole.

The changes in output in the non-durable manufacturing industries were for the most part also in a downward direction, though the declines were generally small. A

modest gain in output occurred in products of petroleum and coal and fractional increases in foods and in the miscellaneous group. In most other non-durable goods industries production fell off a little. Exceptions were textiles and tobacco, where output fell 5 per cent and the rubber industry, where there was a sharp contraction, amounting to 17 per cent.

A 1 1/2 per cent drop in mining production, seasonally adjusted, in the second quarter was the outcome of conflicting trends among and within the component groups. In fuel mining a sharp advance in output of natural gas (23 per cent) and a significant gain in output of crude petroleum (7 per cent) more than offset the continuing decline in coal mining, raising production of fuels by 6 per cent. Reflecting a substantial improvement in production of asbestos, output in non-metal mining was up 3 per cent. Production in metal mining fell 8 per cent, reflecting the sharp cut-backs in operations in the uranium mines and a small decline in output of copper; production of other major metals and minerals was higher, the largest gains being in iron ore and nickel (13 and 6 per cent). Quarrying, the remaining component of the mining industry, showed a drop in output of 6 per cent in the second quarter.

The volume of activity in the construction industry continued to decline in the second quarter. Output was down about 7 per cent, reflecting the drop in expenditures for housing and the easing in activity in other construction. Likewise in forestry, the rate of decline was substantial and higher than in the previous quarter.

In the other industries and in most of the service-producing industries, output continued to advance in the second quarter, with the overall gain amounting to about 1 per cent.

Despite the drop in production in the second quarter, the first six months of 1960 compares favourably with the same period a year ago for production as a whole as well as for almost all the major industrial groups. The two exceptions are construction and agriculture. Conspicuously large gains occurred in forestry and public utilities. A small decline in farm output reflects lower production of livestock and poultry, largely offset by expanded output of most other farm products. The gain of about 1 1/2 per cent in overall output on the six months basis reflects advances of about equal magnitude in both the service-producing industries and the goods-producing industries.

The decline in total production in the second quarter, seasonally adjusted, was accompanied by an increase in the total number of persons with jobs of about 0.5 per cent, and of nearly 1 per cent in the non-farm sector. It was also accompanied by somewhat shorter hours of work in some industries. However, the number of persons without jobs and seeking work averaged 6.5 per cent of the labour force in the second quarter, compared with 5.9 per cent in the first quarter. (All of these comparisons are on a seasonally adjusted basis).

Comparing the first six months of this year with the same period of the previous year, the number of persons with jobs was higher by about 2 per cent in total and by more than 3 per cent in the non-farm sector.

#### Personal Expenditure on Consumer Goods and Services

Personal expenditure resumed its upward course in the second quarter, following the hesitation evident in the first. At a seasonally adjusted annual rate of \$23.1 billion, consumer expenditure was more than 1 1/2 per cent higher than in the



preceding quarter. Since there was little evidence of any marked overall change in consumer prices, most of the increase in spending represented a gain in real consumption. The notable feature of the quarter was that the expansion in spending was not supported by enhanced demand for durable goods but rather reflected recovery in non-durable markets and further growth in spending for services.

The second quarter's advance in spending for non-durables of more than 2 per cent was the outcome of gains in almost all non-durable lines. Particularly notable is the more than 3 per cent increase in purchases of clothing following the decline in the first quarter. Expenditures on food also rose a little following the previous quarter's decline, but all of the increase was due to price increases. The rise in spending on tobacco products and on auto parts and accessories was also well in excess of the average for non-durables as a whole.

The 2 per cent drop in purchases of durables is largely attributable to household durables although purchases of cars were also off slightly. All categories of household durables were affected, the sharpest decline being in sales of radios and electrical appliances which were off 7 per cent in value terms. Factory shipments of most major appliances in the second quarter were lower than a year ago by: 16 per cent for washers; 5 per cent for dryers; 11 per cent for electric stoves; 12 per cent for radios; 28 per cent for television sets. The contraction in spending on durables may be related in part to the much reduced level of activity in housing. In a situation of declining sales there was a fairly general tendency for prices to shade downward so that the volume of purchases was slightly higher than the value figures indicate.

Expenditures on services continued their upward trend in the second quarter. The gain of 2 per cent reflects in part changes in the adjustment for net expenditure abroad. Excluding this, the increase is 1 1/2 per cent. Most of the major categories showed gains. As in the past, the rise in spending on services reflected some element of price increase.

When the first half of 1960 is compared with the corresponding period of the previous year, the gain in consumer spending amounts to 4 per cent. In most of the durable categories, the year-over-year comparison is unfavourable. Thus the increase in spending was concentrated in the non-durable and service categories, particularly the latter. It may be noted that the over-the-year increase in consumer spending in volume terms is somewhat below the average for the post-war years, and that this development has been associated with a smaller than average rise in real disposable income.

Consumer Expenditure  
Per Cent Change

	6 Mos. 1959 6 Mos. 1958	6 Mos. 1960 6 Mos. 1959
Food .....	2.7	2.9
Clothing .....	4.2	1.8
Other .....	5.6	7.3
Total Non-Durable Goods .....	4.1	4.3
Appliances and Radios .....	7.1	-3.0
Home Furnishings and Furniture .....	3.0	-0.8
Autos (New and used) .....	14.1	-2.2
Other .....	5.3	0.9
Total Durable Goods .....	9.4	-1.6
Total All Goods .....	5.1	3.1
Total Services .....	7.8	5.6
Total Personal Expenditure (Goods & Services) .....	6.1	4.0



## Business Gross Fixed Capital Formation

Gross fixed capital formation in the second quarter is estimated to have been running at a seasonally adjusted annual rate of \$6.4 billion, some 7 per cent lower than in the first quarter. This decline is largely attributable to a steep decline in expenditures for housing but there was also some curtailment in outlays for plant and equipment.

Expenditures for residential construction are estimated to have fallen about 18 per cent between the first and second quarters of 1960. This trend in housing is related in part to the stringency in mortgage markets in the early months of 1960, particularly as it affected lending under the National Housing Act. Altogether, National Housing Act Loans were made for only 10,943 dwellings in the first six months of 1960, compared to 28,968 dwellings in the same period one year earlier. In the second quarter of 1960, total housing starts, seasonally adjusted, declined by 10 per cent, while total completions fell by 21 per cent, seasonally adjusted. After Central Mortgage and Housing Corporation direct loans again became available in April, starts increased in June and July. However, there was a decline in starts in August, despite further easing in the availability of mortgage money. <sup>1/</sup>

Business outlays for plant and equipment were also off between the first and second quarters, by close to 4 per cent. Non-residential construction expenditure declined by 2 per cent, and outlays for machinery and equipment by 5 per cent. Evidence of a drop in purchases of machinery and equipment is to be found in domestic shipments as well as in imports of such goods, both of which were down by 5 per cent in the second quarter. A wide variety of machinery and equipment items were so affected.

In the first six months of 1960, business outlays for plant and equipment were running fairly close to the rate for the corresponding period of 1959, but somewhat below last year's annual rate. The short-fall from last year's annual rate is evident in outlays for both non-residential construction and machinery and equipment, but particularly in the latter. The mid-year review of investment intentions in 1960 indicated an increase of about 6 per cent in business expenditures for plant and equipment (excluding housing). Performance thus far in the year does not confirm these expectations.

## Investment in Business Inventories

The rate at which business inventories were being accumulated abated in the second quarter. At a seasonally adjusted annual rate of \$280 million, accumulation was less than half as large as in the preceding quarter. Virtually all the change in the rate of investment in stocks took place in retail and wholesale trade. In manufacturing the rate of accumulation remained about the same although the emphasis shifted sharply toward the durable goods industries. Investment in business inventories by broad industrial groups in the fourth quarter of 1959 and the first two quarters of 1960 is shown in the accompanying table.

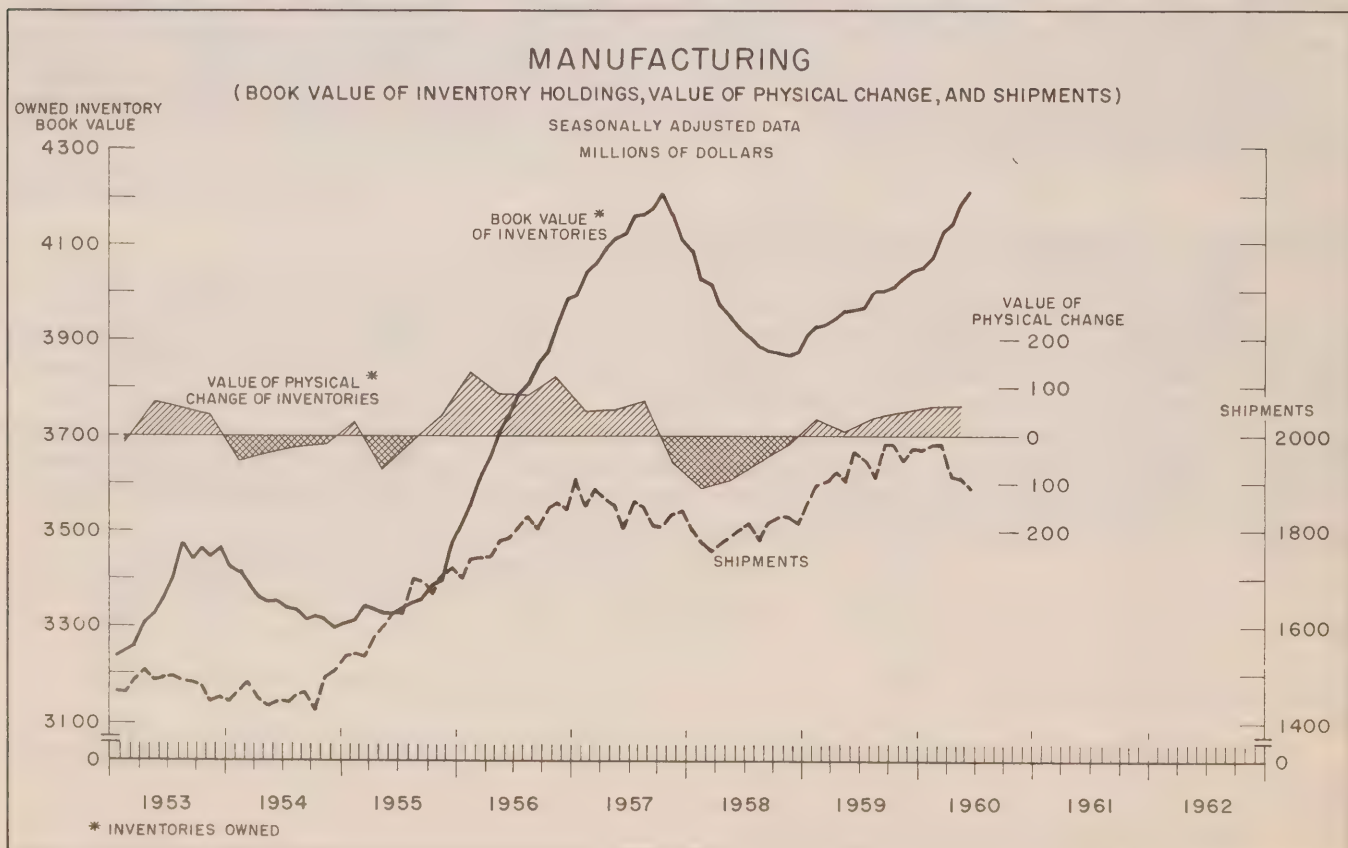
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<sup>1/</sup> Monthly data on starts refer to those in municipalities of 5,000 persons, or over.

Change in Business Inventories  
(Seasonally Adjusted at Annual Rates)  
(millions of dollars)

	<u>4Q 1959</u>	<u>1Q 1960</u>	<u>2Q 1960</u>
Manufacturing .....	208	256	268
Durables .....	168	84	252
Non-Durables .....	40	172	16
Retail Trade .....	40	228	-4
Motor Vehicle Dealers .....	-112	92	128
Other .....	152	136	-132
Wholesale Trade .....	52	104	16
Other Industries .....	<u>-4</u>	<u>8</u>	<u>-</u>
Total .....	<u>296</u>	<u>596</u>	<u>280</u>

Manufacturers re-stocked at about the same rate as in the first quarter but the industrial pattern of stock-building changed. In the second quarter, unlike the first, the major part of the accumulation took place in the durable goods lines. All the durable goods industries, with the exception of transportation equipment, added to their inventories, the most pronounced build-up being in iron and steel. The non-ferrous metal and non-metallic minerals industries shifted from liquidation in the first quarter to accumulation in the second and in the former industry the shift was decidedly pronounced. Stocks were drawn down moderately in most of the non-durable lines.





Manufacturers' shipments, seasonally adjusted, have been on a declining trend since March. New orders declined in both the first and second quarters. At the same time, the book value of inventories owned has continued to rise in line with the trend which began early in 1959 (see Chart). The ratio of stocks to shipments in manufacturing rose sharply in the second quarter, to the highest level since early 1958.

In a situation of selective improvement in retail sales, retail trade dealers shifted from a fairly high rate of accumulation in the first quarter to slight liquidation in the second. This overall result was the outcome of a considerably reduced rate of build-up in the durable trades and a shift to liquidation in the non-durable trades. The rate of accumulation in the stocks of motor vehicle dealers was higher than in the first quarter. In most other durable trades stocks were drawn down, the liquidation being most pronounced in lumber and building materials, hardware, and farm implements. The shift to liquidation of stocks of non-durables took place largely in the miscellaneous trades and in apparel stores.

In wholesale trade the rate of accumulation fell sharply, the durable trades shifting from accumulation to liquidation and the non-durable trades sharply reducing their rate of accumulation.

#### Exports and Imports of Goods and Services.

Exports of goods and services, which had advanced sharply in the fourth quarter of 1959 and made further gains in the first quarter of 1960, receded in the second quarter. At a seasonally adjusted annual rate of \$6.7 billions, they were down 7.5 per cent between the two quarters. At the same time, imports of goods and services declined moderately and at a seasonally adjusted annual rate of \$8.1 billions were about 2 1/2 per cent lower than in the first quarter. The consequence of these movements was a widening of the deficit on current international transactions from about \$1.1 billion to \$1.4 billion, in contrast to the narrowing that had been a feature of the trade imbalance in the two preceding quarters.

Movements in the merchandise account are primarily responsible for the recent widening of the deficit. Merchandise exports fell about 9.5 per cent, largely as a result of a steep decline in sales of agricultural products and non-ferrous metal products. Commodity imports also fell, but only by about 4 per cent. On the basis of two months' commodity detail available, it appears that the bulk of the decline in imports in the second quarter took place in iron and its products, associated in part with the fall-off in machinery and equipment investment.

The very substantial improvement in merchandise exports in the first half of 1960 reflected an especially strong first quarter. As has been noted, exports declined between the first and second quarters, seasonally adjusted, and were also lower on a year-to-year basis. The year-to-year drop of 3 per cent partly reflects the effect of developments in the second quarter of 1959, when merchandise exports showed an unusually sharp rise in June of that year. As has been pointed out previously, the July 1960 figures recovered strongly and were 8.7 per cent above a year ago. The accompanying tables show for leading commodities and leading countries the pattern of change between the two quarters.



Domestic Exports  
(Percent Change)

<u>Leading Commodities</u>	<u>1Q 1960</u> <u>1Q 1959</u>	<u>2Q 1960</u> <u>2Q 1959</u>	<u>Half Year 1960</u> <u>Half Year 1959</u>
Newsprint Paper .....	16.9	- 1.1	6.5
Wheat .....	-0.9	-30.6	-18.0
Lumber and Timber .....	18.3	- 4.5	4.9
Wood Pulp .....	9.8	1.3	5.4
Uranium Ore .....	7.0	-21.7	- 7.5
Aluminum and Products .....	75.6	9.0	37.0
Nickel .....	88.1	- 4.0	31.8
Copper and Products .....	134.5	20.4	62.0
Fish and Fishing Products .....	-13.8	- 6.0	- 9.7
Farm Machinery and Implements .....	-16.2	-29.7	-23.4
Total Domestic Exports .....	<u>22.9</u>	<u>- 2.9</u>	<u>8.4</u>
<u>Leading Countries</u>			
United States .....	18.3	-10.1	2.1
United Kingdom .....	29.3	13.6	20.6
European Common Market .....	36.8	19.7	27.7
Other .....	28.7	1.7	13.5
Total Domestic Exports .....	<u>22.9</u>	<u>- 2.9</u>	<u>8.4</u>

In the half-yearly comparison the overall increase in commodity exports of more than 8 per cent reflects conspicuously large gains in sales of aluminum, nickel and copper and substantial losses in sales of farm implements and machinery, wheat, fishery products, and uranium ores and concentrates. Considering trade in terms of leading countries, the pattern in the first half-year comparison was one of sharply expanded sales to the United Kingdom and countries of the European Common Market, and a somewhat higher level of sales to the United States.

Commodity imports, by contrast, show a fairly stable pattern between the two years. The slight increase of just over 2 per cent in the half-year occurred in the first quarter. With only 5 months' commodity detail available, automobiles and some other consumer goods and some industrial materials and equipment appear to account for the rise. Increases of 16 per cent in cotton products, 10 per cent in electrical apparatus, 9 per cent in automobiles, trucks and parts, and 7 per cent in machinery (other than agricultural), more than offset a drop of 9 per cent in imports of crude petroleum and 5 per cent in farm implements.

The exchange value of the Canadian dollar declined in the second quarter, by about 2 1/2 per cent. Thus the price of imports of goods and services rose in the quarter. This in turn was reflected in an increase in the price component of gross available supply. <sup>1/</sup> However, the price index of Gross National Product, which is

<sup>1/</sup> Gross National Product (domestic production), plus imports.

adjusted for the effect of changing import prices, remained relatively unchanged. The price of exports also rose slightly in the quarter. With import prices up more sharply, there was, on balance, a slight deterioration in the terms of trade.

### Changes in Income Components

National income, seasonally adjusted, declined by 1 1/2 per cent in the second quarter of 1960; labour income remained unchanged, corporation profits showed a sharp drop, and lower returns were recorded for other forms of investment income and unincorporated business operations. Net income of non-farm unincorporated business enterprises showed little change as a decline in the construction industry was offset by higher returns in retail trade, but net income of farm operators from farming operations was reduced in line with lower levels of livestock production. Rents, interest and miscellaneous investment income showed a small decline, reflecting a fall-off in the trading profits of government enterprises and lower returns from interest on investments.

The stability in labour income in the second quarter reflected offsetting movements in income in individual industries. Labour income was considerably lower in forestry, somewhat lower in mining, construction, agriculture and manufacturing, somewhat higher in finance, insurance and real estate, trade and services and about the same in public utilities and transportation storage and communications. Some reduction in the length of the work week was a restraining influence on the advance of income in the mining and manufacturing industries.

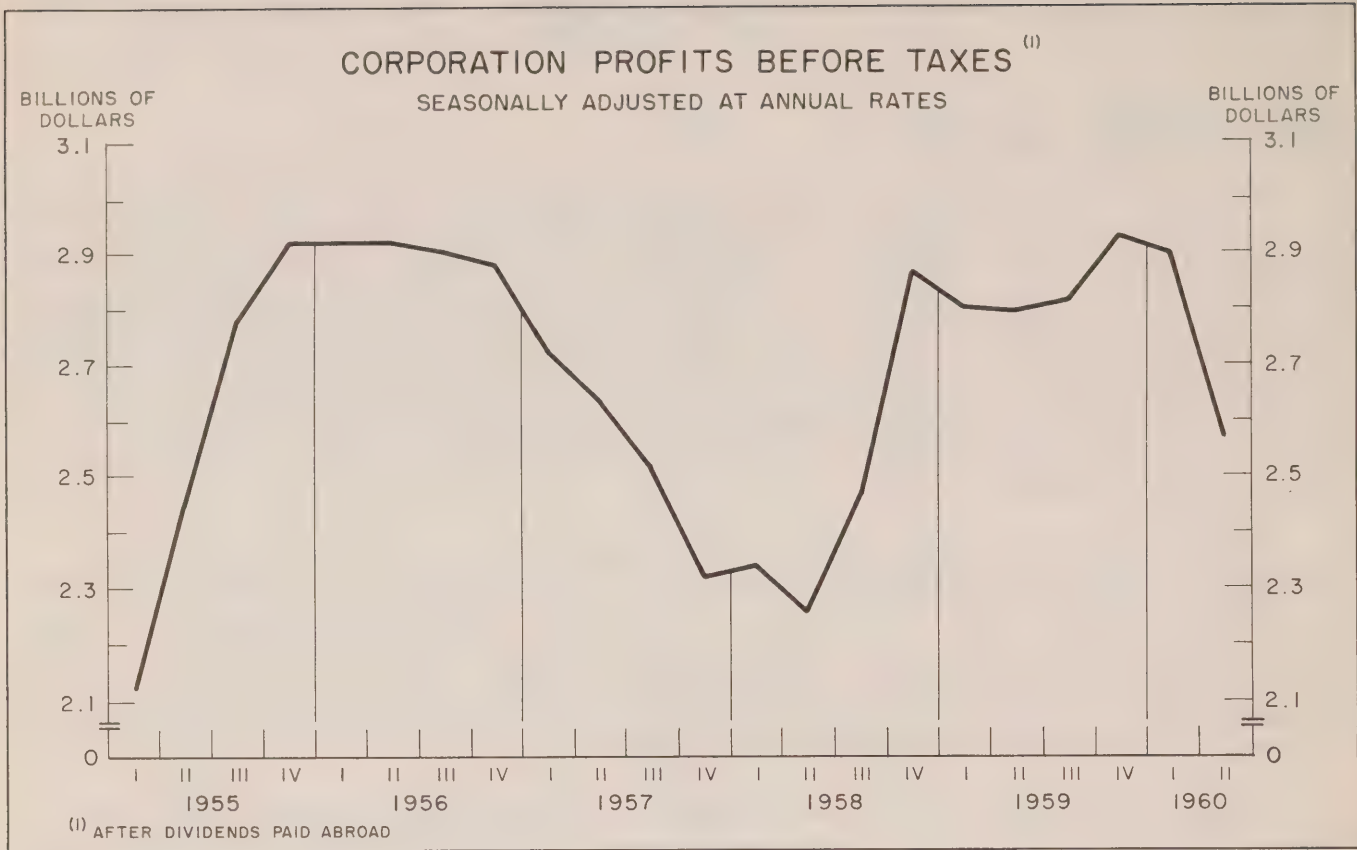
For the first half of the year labour income was higher by more than 4 per cent, with gains in almost all major industries. Construction is a significant exception; income was down slightly. The largest gain (10 per cent) occurred in forestry, reflecting the distinct improvement in employment in this industry. The service industries continued to record relatively large gains and in trade the rise was also above average. In mining and manufacturing the gains were comparatively small. The factors affecting income in these industries are set out in the accompanying table.

Percentage Change - First Half 1960 over First Half 1959

	Employment	Hours Worked Per Week	Average Hourly Earnings	Labour Income
Manufacturing ....	- 0.1	- 0.8	3.7	3.2
Mining .....	- 1.4	0.7	2.5	1.7

The decline of 11 per cent in seasonally adjusted corporation profits (excluding dividends paid abroad) in the second quarter of 1960 was one of the sharpest on record. Manufacturing profits declined by 11 per cent, associated with a drop of 3 per cent in manufacturing production during the quarter. Declines of over 20 per cent occurred in iron and steel products, electrical apparatus and supplies and wood products, with smaller losses in chemicals, textiles and printing, publishing and allied industries. Profits in foods and beverages, rubber, and paper sub-groups remained relatively unchanged from the previous quarter.





Other major industries in which sharp declines were registered during the quarter were transportation, storage and communication (-25 per cent), and wholesale trade (-22 per cent). Profits in retail trade, and finance, insurance and real estate were somewhat higher during the quarter.

The second quarter fall in total corporation profits is the first major setback in this area since the recovery which began in 1958, following almost two years of steady decline. Taking the first six months of 1960 together, corporation profits are now about 2 per cent below the average for the first half of the year 1959.





**TABLE 1. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1959-1960**  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Wages, Salaries, and Supplementary Labour Income...	4,171	4,437	4,571	4,538	17,717	4,382	4,596
2. Military Pay and Allowances .....	118	129	127	122	496	119	129
3. Corporation Profits before Taxes <sup>1</sup> .....	568	810	780	678	2,836	595	731
4. Rent, Interest, and Miscellaneous Investment Income	513	504	517	560	2,094	521	529
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-29	151	920	66	1,108	-12	90
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ...	453	552	543	602	2,150	440	520
7. Inventory Valuation Adjustment <sup>4</sup> .....	-33	-42	-42	-3	-120	-34	-28
8. NET NATIONAL INCOME AT FACTOR COST .....	5,761	6,541	7,416	6,563	26,281	6,011	6,567
9. Indirect Taxes less Subsidies .....	1,000	1,056	1,079	1,085	4,220	1,069	1,117
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	962	1,070	1,036	1,063	4,131	1,017	1,094
11. Residual Error of Estimate .....	-120	-103	80	104	-39	-40	-151
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,603	8,564	9,611	8,815	34,593	8,057	8,627
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,632)	(8,413)	(8,691)	(8,749)	(33,485)	(8,069)	(8,537)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 5, Table 2.

**TABLE 2. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1959-1960**  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services	5,163	5,523	5,442	6,133	22,261	5,339	5,789
2. Government Expenditure on Goods and Services <sup>1,2</sup> ...	1,444	1,556	1,818	1,619	6,437	1,494	1,551
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	1,341	1,899	1,946	1,775	6,961	1,414	1,714
4. New Residential Construction .....	322	462	480	479	1,743	337	351
5. New Non-Residential Construction .....	471	646	783	692	2,592	474	624
6. New Machinery and Equipment <sup>4</sup> .....	548	791	683	604	2,626	603	739
7. Value of Physical Change in Inventories <sup>5</sup> .....	-68	-80	774	-326	300	66	-122
8. Non-Farm Business Inventories .....	262	-13	60	46	355	357	-38
9. Farm Inventories and Grain in Commercial Channels	-330	-67	714	-372	-55	-291	-84
10. Exports of Goods and Services .....	1,347	1,727	1,779	1,804	6,657	1,590	1,699
11. Deduct: Imports of Goods and Services .....	-1,745	-2,164	-2,067	-2,086	-8,062	-1,885	-2,155
12. Residual Error of Estimate .....	121	103	-81	-104	39	39	151
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,603	8,564	9,611	8,815	34,593	8,057	8,627

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes defence expenditures of:

(millions of dollars)

1959					1960	
I	II	III	IV	Year	I	II
457	356	371	376	1,560	434	349

3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

4. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

5. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

TABLE 3. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1959-1960  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Wages, Salaries, and Supplementary Labour Income..	4,171	4,437	4,571	4,538	17,717	4,382	4,596
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds ...	-162	-157	-164	-181	-664	-190	-182
3. Military Pay and Allowances .....	118	129	127	122	496	119	129
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-10	175	908	43	1,116	5	95
5. Net Income of Non-Farm Unincorporated Business ...	453	552	543	602	2,150	440	520
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	529	577	574	620	2,300	582	602
Transfer Payments to Persons:							
7. From Government (Excluding Interest) .....	824	689	636	636	2,785	881	744
8. Charitable Contributions by Corporations .....	8	11	11	10	40	9	10
9. PERSONAL INCOME .....	5,931	6,413	7,206	6,390	25,940	6,228	6,514

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1959-1960  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Personal Direct Taxes: .....	480	531	525	552	2,088	552	640
2. Income Taxes .....	375	447	454	471	1,747	429	548
3. Succession Duties .....	35	30	30	35	130	46	40
4. Miscellaneous .....	70	54	41	46	211	77	52
5. Personal Expenditure on Consumer Goods and Services: .....	5,163	5,523	5,442	6,133	22,261	5,339	5,789
6. Non-Durable Goods .....	2,570	2,711	2,789	3,330	11,400	2,656	2,861
7. Durable Goods .....	584	763	624	687	2,658	582	750
8. Services <sup>1</sup> .....	2,009	2,049	2,029	2,116	8,203	2,101	2,178
9. Personal Net Saving: .....	288	359	1,239	-295	1,591	337	85
10. Personal Saving Excluding Change in Farm Inventories .....	595	405	569	89	1,658	573	196
11. Value of Physical Change in Farm Inventories ...	-307	-46	670	-384	- 67	-236	-111
12. PERSONAL INCOME .....	5,931	6,413	7,206	6,390	25,940	6,228	6,514
13. (Personal Disposable Income) <sup>2</sup> .....	(5,451)	(5,882)	(6,681)	(5,838)	(23,852)	(5,676)	(5,874)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



**TABLE 5. NATIONAL INCOME AND GROSS NATIONAL PRODUCT, BY QUARTERS, 1959-1960**  
SEASONALLY ADJUSTED AT ANNUAL RATES  
 (millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Wages, Salaries, and Supplementary Labour Income...	17,372	17,640	17,756	18,100	17,717	18,244	18,268
2. Military Pay and Allowances .....	500	508	488	488	496	504	508
3. Corporation Profits before Taxes <sup>1</sup> .....	2,800	2,796	2,816	2,932	2,836	2,900	2,568
4. Rent, Interest, and Miscellaneous Investment Income	2,112	2,056	2,088	2,120	2,094	2,192	2,140
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,136	1,188	1,108	1,000	1,108	1,140	1,024
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> ...	2,140	2,156	2,128	2,176	2,150	2,060	2,056
7. Inventory Valuation Adjustment .....	-132	-168	-168	-12	-120	-136	-112
8. NET NATIONAL INCOME AT FACTOR COST .....	25,928	26,176	26,216	26,804	26,281	26,904	26,452
9. Indirect Taxes less Subsidies .....	4,076	4,188	4,268	4,348	4,220	4,344	4,440
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	4,008	4,152	4,132	4,232	4,131	4,268	4,268
11. Residual Error of Estimate .....	-56	12	-	-112	- 39	108	-112
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	33,956	34,528	34,616	35,272	34,593	35,624	35,048
13. (Gross National Product at Market Prices excluding accrued Net Income of Farm Operators) .....	(32,820)	(33,340)	(33,508)	(34,272)	(33,485)	(34,484)	(34,024)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

**TABLE 6. GROSS NATIONAL EXPENDITURE, BY QUARTERS, 1959-1960**  
SEASONALLY ADJUSTED AT ANNUAL RATES  
 (millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services	21,936	22,024	22,304	22,780	22,261	22,676	23,052
2. Government Expenditure on Goods and Services <sup>1</sup> .....	6,336	6,612	6,444	6,356	6,437	6,584	6,564
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,728	6,948	7,072	7,096	6,961	6,912	6,404
4.   New Residential Construction .....	1,756	1,748	1,720	1,748	1,743	1,708	1,396
5.   New Non-Residential Construction .....	2,572	2,572	2,580	2,644	2,592	2,584	2,524
6.   New Machinery and Equipment <sup>3</sup> .....	2,400	2,628	2,772	2,704	2,626	2,620	2,484
7. Value of Physical Change in Inventories .....	332	296	412	160	300	636	336
8.   Non-Farm Business Inventories .....	452	272	400	296	355	596	280
9.   Farm Inventories and Grain in Commercial Channels <sup>4</sup>	-120	24	12	-136	-55	40	56
10. Exports of Goods and Services .....	6,364	6,640	6,648	6,976	6,657	7,224	6,680
11. Deduct: Imports of Goods and Services .....	-7,800	-7,976	-8,268	-8,204	-8,062	-8,300	-8,104
12. Residual Error of Estimate .....	60	-16	4	108	39	-108	116
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	33,956	34,528	34,616	35,272	34,593	35,624	35,048

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook, 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

(millions of dollars)

	1959					1960	
	I	II	III	IV	Year	I	II
4. <u>Detail: Farm Inventories -</u>							
Value of grain crop production ....	920	924	924	924	923	968	972
Depletion of farm stocks of grain..	-1,108	-832	-1,024	-1,080	-1,011	-876	-976
Change in livestock inventories ...	60	-4	56	-28	21	68	-68
Grain in Commercial Channels .....	8	-64	56	48	12	-120	128

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

**TABLE 7. SOURCES OF PERSONAL INCOME, BY QUARTERS, 1959-1960**  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Wages, Salaries, and Supplementary Labour Income..	17,372	17,640	17,756	18,100	17,717	18,244	18,268
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds ...	-640	-640	-652	-724	-664	-748	-760
3. Military Pay and Allowances .....	500	508	488	488	496	504	508
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,128	1,248	1,120	968	1,116	1,112	1,004
5. Net Income of Non-Farm Unincorporated Business ...	2,140	2,156	2,128	2,176	2,150	2,060	2,056
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup> .....	2,212	2,248	2,356	2,384	2,300	2,432	2,384
Transfer Payments to Persons:							
7. From Government (Excluding Interest) .....	2,672	2,860	2,788	2,820	2,785	2,952	2,960
8. Charitable Contributions by Corporations .....	40	40	40	40	40	40	40
9. PERSONAL INCOME .....	25,424	26,060	26,024	26,252	25,940	26,596	26,480

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

**TABLE 8. DISPOSITION OF PERSONAL INCOME, BY QUARTERS, 1959-1960**  
SEASONALLY ADJUSTED AT ANNUAL RATES  
(millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Personal Direct Taxes: .....	1,956	2,044	2,148	2,204	2,088	2,268	2,488
2. Income Taxes .....	1,616	1,700	1,820	1,852	1,747	1,844	2,088
3. Succession Duties .....	140	120	120	140	130	184	160
4. Miscellaneous .....	200	224	208	212	211	240	240
5. Personal Expenditure on Consumer Goods and Services:	21,936	22,024	22,304	22,780	22,261	22,676	23,052
6. Non-Durable Goods .....	11,156	11,288	11,456	11,700	11,400	11,576	11,828
7. Durable Goods .....	2,708	2,664	2,584	2,676	2,658	2,668	2,616
8. Services <sup>1</sup> .....	8,072	8,072	8,264	8,404	8,203	8,432	8,608
9. Personal Net Saving .....	1,532	1,992	1,572	1,268	1,591	1,652	940
10. PERSONAL INCOME .....	25,424	26,060	26,024	26,252	25,940	26,596	26,480
11. (Personal Disposable Income) <sup>2</sup> .....	(23,468)	(24,016)	(23,876)	(24,048)	(23,852)	(24,328)	(23,992)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS, BY QUARTERS, 1959-1960  
UNADJUSTED FOR SEASONALITY<sup>1,2</sup>  
 (millions of dollars)

	1959				Year	1960	
	I	II	III	IV		I	II
1. Personal Expenditure on Consumer Goods and Services .....	3,970	4,273	4,197	4,723	17,163	4,057	4,419
2. Non-Durable Goods .....	2,197	2,335	2,383	2,811	9,726	2,258	2,439
3. Durable Goods .....	493	640	540	586	2,259	488	628
4. Services .....	1,280	1,298	1,274	1,326	5,178	1,311	1,352
5. Government Expenditure on Goods and Services ..	908	969	1,154	1,000	4,031	905	934
6. Business Gross Fixed Capital Formation .....	895	1,258	1,285	1,163	4,601	920	1,109
7. New Residential Construction .....	219	307	317	316	1,159	222	228
8. New Non-Residential Construction .....	308	422	511	447	1,688	301	399
9. New Machinery and Equipment <sup>3</sup> .....	368	529	457	400	1,754	397	482
10. Change in Inventories .....	-156	-161	928	-407	204	-56	-196
11. Non-Farm Business Inventories .....	214	-2	44	25	281	282	-18
12. Farm Inventories and Grain in Commercial Channels .....	-370	-159	884	-432	-77	-338	-178
13. Exports of Goods and Services .....	1,140	1,448	1,464	1,505	5,557	1,321	1,386
14. Deduct: Imports of Goods and Services .....	-1,468	-1,824	-1,752	-1,777	-6,821	-1,577	-1,782
15. Residual Error of Estimate .....	86	74	-58	-74	28	28	107
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS .....	5,375	6,037	7,218	6,133	24,763	5,598	5,977

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

3. The 1959 figures reflect the \$150 million adjustment in current dollars made to take account of later available information - see footnote 4, Table 2.



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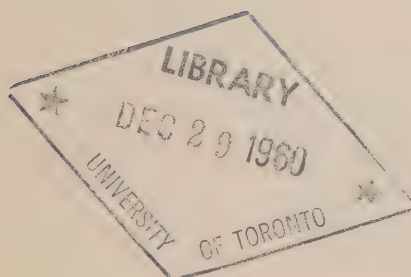


CANADA

NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE

THIRD QUARTER

1960



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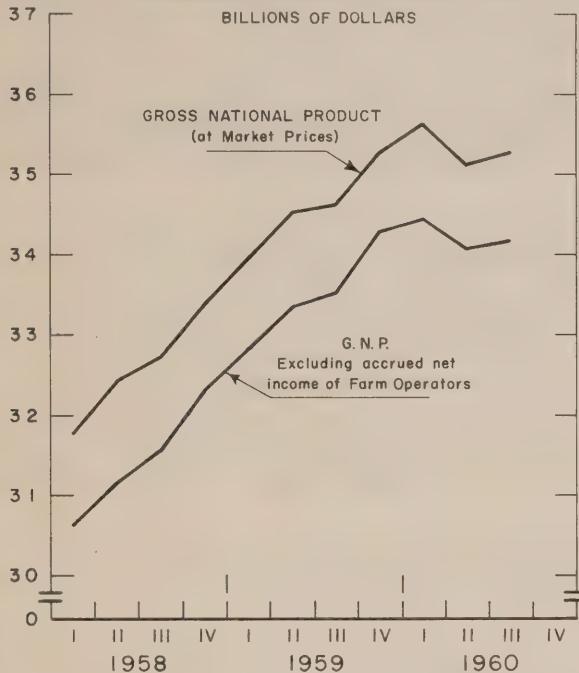
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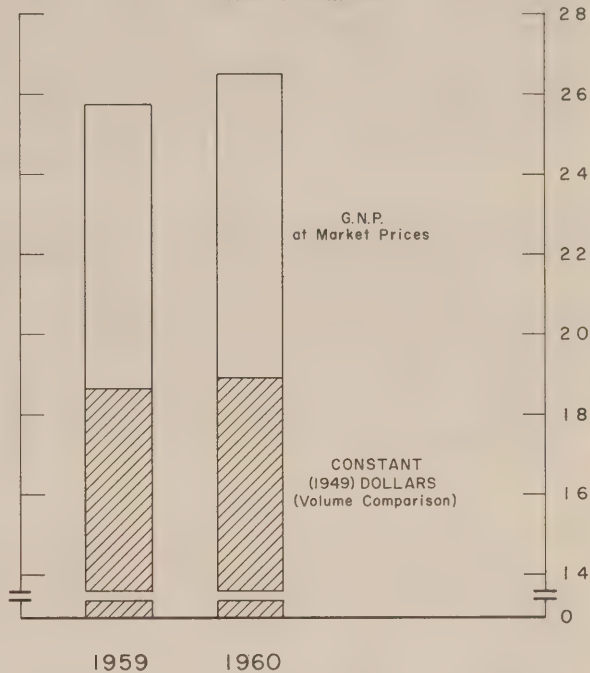
GROSS NATIONAL PRODUCT WAS ONLY  
FRACTIONALLY HIGHER IN THE  
THIRD QUARTER, FOLLOWING THE  
SECOND QUARTER DECLINE

(DATA SEASONALLY ADJUSTED AT ANNUAL RATES)



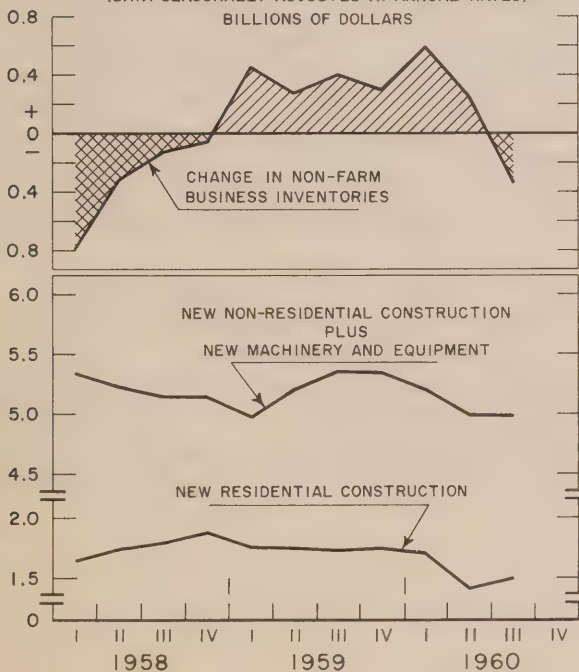
THE VALUE INCREASE IN THE FIRST NINE  
MONTHS WAS 3 PER CENT OVER THE SAME  
PERIOD OF 1959, WITH THE VOLUME  
OF PRODUCTION UP BY ABOUT 2 PER CENT

BILLIONS OF DOLLARS



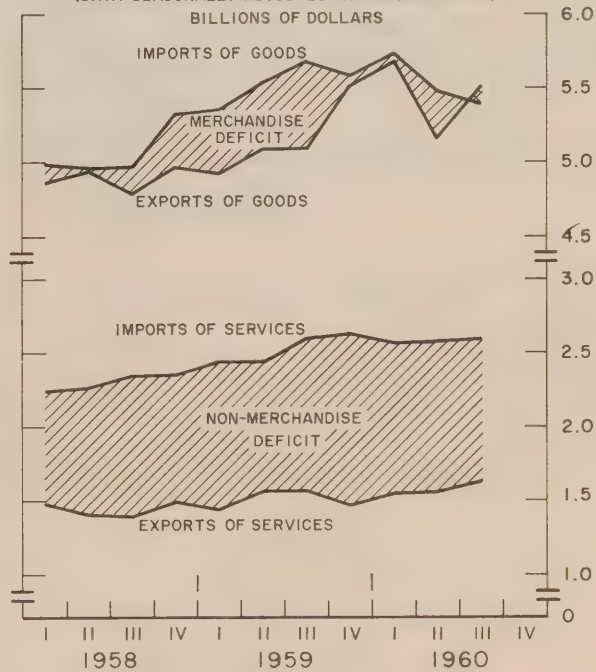
BUSINESS OUTLAYS FOR PLANT AND EQUIPMENT  
SHOWED LITTLE CHANGE IN THE THIRD QUARTER,  
BUT OUTLAYS FOR NEW HOUSING WERE HIGHER  
FOLLOWING EARLIER DECLINES. BUSINESS  
INVENTORY STOCKS WERE DRAWN DOWN SHARPLY

(DATA SEASONALLY ADJUSTED AT ANNUAL RATES)



MERCHANDISE EXPORTS SHOWED A MARKED  
ADVANCE, BUT IMPORTS DECLINED FURTHER. THE  
RESULTING SURPLUS ON MERCHANDISE ACCOUNT  
CONTRIBUTED TO A SHARP NARROWING IN THE  
TOTAL BALANCE OF PAYMENTS DEFICIT

(DATA SEASONALLY ADJUSTED AT ANNUAL RATES)







## INTRODUCTORY REVIEW

Gross National Product, seasonally adjusted, showed a fractional advance in the third quarter, amounting to less than one-half of 1 per cent. This most recent development follows the modest drop in output in the second quarter of this year, when Gross National Product declined by 1 1/2 per cent. About half of the slight gain in the value of production in the third quarter was accounted for by a small change in final product prices; in volume terms, the Gross National Product was very close to being unchanged from the level of the second quarter. Overall employment between the two quarters also remained unchanged.

The partial recovery in the level of activity, from a situation of declining production to a position of approximate stability, reflects developments in both external and domestic demand. On the external side, exports of goods and services rose very sharply in the third quarter, following the rather sudden decline which had characterized the figures for the second quarter of this year. The increase in the third quarter was concentrated in our trade with European and other overseas countries; exports to the United States have shown little change, after allowing for seasonal factors, reflecting the lower levels of economic activity which have recently emerged in that country.

Final domestic demand has also contributed to the somewhat firmer tone that is suggested by the figures for the third quarter. (See accompanying Table, line 8). Both housing and non-residential construction outlays were higher in the third quarter, following two quarters of successive declines. The reversal in outlays for new housing reflected in large part the resumption of direct Central Mortgage and Housing Corporation lending in April of this year, and the increase in lending activity under the National Housing Act of life insurance, and loan and trust companies in August and September; the rate of housing starts, seasonally adjusted, rose by 18 per cent in the third quarter. The up-turn in non-residential construction was relatively modest, and had been anticipated to some extent by the increase in industrial building permits which was noted in the second quarter; outlays for new machinery and equipment, however, continued to decline. Government expenditure on goods and services was also an important factor in the recovery of final domestic demand in the third quarter. Higher outlays for investment at all levels of government, and increased wages and salaries paid by the Federal government were factors contributing to this development. Consumer expenditure, however, remained virtually unchanged in the third quarter as outlays for durables continued to decline, and relatively small gains were made in outlays for non-durables.

Taken together, the renewed strength in exports and in final domestic demand in the third quarter produced a sizable advance in total final purchases of goods and services (see accompanying Table, line 7). The upswing in these final demand categories was not transmitted to production, however, since the bulk of these requirements were met, on balance, by cut-backs in the inventory sector. Inventory stocks, which were still accumulating in the second quarter, were drawn down considerably in the third quarter. In terms of new demands on production, the down-

Quarter to Quarter Changes in Final Purchases  
(Seasonally Adjusted at Annual Rates)  
(\$ millions)

2.

	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60
	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60
Pers. Exp.....	276	284	44	432	164	256	576	300	88	280	476	-104	436	28
Govt. Exp.....	124	120	-28	184	84	168	88	4	276	-168	-88	228	4	188
Resid. Constr..	12	48	96	136	96	52	84	-120	-8	-28	28	-40	-308	96
Non-Res. Constr.	76	16	-56	-216	-8	-60	-100	-132	-	8	64	-60	-60	52
Mach. & Equip..	-168	-180	-212	-64	-112	-16	100	-40	228	144	-68	-84	-148	-56
Exports.....	-252	264	-164	8	-4	-168	284	-96	276	8	328	248	-516	432
Total Final Purchases...	68	552	-320	480	220	232	1,032	-84	860	244	740	188	-592	740
(Final Domestic Demand).....	(320)	(288)	(-156)	(472)	(224)	(400)	(748)	(12)	(584)	(236)	(412)	(-60)	(-76)	(308)

Quarter to Quarter Changes in Other Selected Items

"Shift" in Non-Farm Bus. Inv.	-276	-52	-560	-584	476	180	72	512	-180	128	-104	300	-352	-580
Imports.....	-128	-100	-392	-184	-12	92	360	124	176	292	-64	96	-236	-76
GNP (ex. farm).	80	284	-484	44	532	416	744	508	520	168	764	180	-376	92



ward pressures exerted by this swing in the inventory sector amounted to close to \$0.6 billion. Developments in the inventory sector thus acted as a brake upon production in the third quarter and largely offset the increases which occurred in major components of final domestic and export demand.

Turning to developments on the income side, all major components of National Income showed relatively greater strength in the third quarter; National Income as a whole showed a gain of 1 per cent, in contrast to the decline of over 1 1/2 per cent which occurred in the second quarter of the year. Labour income, which was virtually unchanged between the first and second quarters, advanced by 1 per cent in the third quarter, and the steep decline in corporation profits which had occurred earlier was not repeated in the third quarter, as profits remained relatively stable. At the same time, disposable income, which had shown a drop of about 1 1/2 per cent in the previous quarter, advanced by more than 2 per cent, as higher earnings from productive activity were supplemented by increased transfer payments from government and a decline in direct personal tax collections. The rate of personal saving made a substantial recovery, to 6 per cent of disposable income, following the steep decline of the second quarter.

In the first nine months of this year, Gross National Product has averaged 2.9 per cent above the same period of 1959. <sup>1/</sup> Approximately one-half of this increase represents a further advance in final product prices, so that in physical volume terms the Gross National Product shows a gain of about 1 1/2 per cent. The post-war average increase in the physical volume of output has amounted to approximately 4 per cent per year, and was 3.5 per cent in the year 1959.

The small advance in output in 1960 was accompanied by broad changes in the composition of the nation's income and outlay. The following Table provides some perspective on the nature and magnitude of these shifts in terms of year-to-year percentage changes in the main expenditure components.

---

<sup>1/</sup> A comparison of the first nine months of this year (seasonally adjusted at annual rates) with last year's annual average yields a somewhat smaller value increase of 2.2 per cent.

Changes in Components of Gross National Expenditure

	<u>Percentage Change</u>		
	1958 to 1959	1st 3 Quarters '59 to 1st 3 Quarters '60 <u>1/</u>	Annual Rates 3 Quarters 1960 Compared With Full Year 1959 <u>1/</u>
Personal Expenditure.....	5.8	4.0	3.2
Government Expenditure.....	4.5	2.9	3.3
Residential Construction.....	-1.1	-11.9	-11.9
Non-Residential Construction..	-7.8	-0.5	-1.2
Machinery and Equipment.....	9.4	-3.7	-4.7
Exports.....	5.1	7.2	5.5
Total Final Demand.....	4.5	2.9	2.2
Inventories.....	(+\$0.7 b.)	(-\$0.1 b.)	(-\$0.1 b.)
(Business Only).....	(+\$0.7 b.)	(-\$0.2 b.)	(-\$0.2 b.)
Imports.....	9.5	1.3	0.7
Gross National Product.....	6.1	2.9	2.2

1/ Seasonally adjusted at annual rates.

The flow of income to the personal, business, and government sectors has also been marked by changes in the direction and magnitude of the income flows, compared with the situation one year ago. Percentage changes in the major income components in the two periods are shown in the following Table.

Changes in Major Income Components  
Percentage Change

	<u>Percentage Change</u>		
	1958 to 1959	1st 3 Quarters '59 to 1st 3 Quarters '60 <u>1/</u>	Annual Rates 3 Quarters 1960 Compared With Full Year 1959 <u>1/</u>
Wages, Salaries, & Supplementary			
Labour Income.....	7.8	4.1	3.4
Transfer Payments.....	4.8	8.0	7.6
Personal Income.....	6.1	3.3	2.9
Corporation Profits.....	14.2	-4.0	-5.1
Rents, Interest, and Miscellan- eous Investment Income.....	3.9	4.2	3.7
Net Income of Non-Farm Unincor- porated Business.....	1.5	-3.1	-3.4
Accrued Net Income of Farm Oper- ators from Farm Production....	-7.1	-2.9	0.3
National Income.....	6.4	2.5	1.8
Selected Government Revenues (All levels of Government)			
Direct Personal Taxes.....	16.4	13.6	11.5
Corporation Tax Liabilities.....	17.7	-3.9	-5.4
Indirect Taxes.....	9.6	5.0	3.9

1/ Seasonally adjusted at annual rates.



### Value, Volume and Price Comparisons

Taking the price change of all components together, it is estimated that the price element of Gross National Expenditure was higher in 1960 by 1.6 per cent, as compared with 2.3 per cent between the year 1958 and 1959. It may be noted, however, that prices in the first nine months of this year have been relatively stable and that the year-to-year increase in the nine months' averages reflects price advances which occurred earlier. The value, volume and price change for each of the main expenditure categories are shown in the following Table.

#### Percent Changes, Value, Volume and Price

	<u>1st 3 Quarters '59</u> <u>1st 3 Quarters '60</u>			<u>Year 1958</u> <u>to</u> <u>Year 1959</u>		
	<u>Value</u>	<u>Volume</u>	<u>Price 1/</u>	<u>Value</u>	<u>Volume</u>	<u>Price 1/</u>
Personal Expenditure.....	4.1	2.9	1.2	5.8	4.5	1.2
Goods.....	3.4	2.8	0.7	5.3	4.9	0.5
Non-Durables.....	4.8	4.0	0.8	5.0	4.9	0.3
Durables.....	-2.2	-2.3	0.3	6.3	4.7	1.8
Services.....	5.3	3.2	2.2	6.8	3.7	2.7
Government Expenditure.....	3.3	-0.6	2.8	4.5	1.2	2.9
Gross Fixed Capital Formation.....	-5.2	-7.4	2.4	-0.2	-2.9	3.0
New Residential Construction....	-13.6	-15.7	2.6	-1.1	-5.0	4.1
New Non-Residential Construction	-0.3	-2.7	2.6	-7.8	-10.1	2.6
New Machinery and Equipment.....	-4.5	-6.6	2.0	9.4	6.9	2.5
Exports of Goods and Services.....	7.3	5.5	0.8	5.1	2.2	1.5
Imports of Goods and Services.....	1.3	-0.1	1.3	9.5	10.1	-0.4
Gross National Expenditure.....	2.9	1.6	1.6	6.1	3.5	2.3

1/ The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The latter are weighted by changes in the expenditure pattern over time. A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above table.

As previously noted, the volume increase in Gross National Expenditure in the first nine months of 1960 was 1.6 per cent. This gain was accompanied by an increase in the population of 2.2 per cent; thus, in per capita terms, there was a slight decline in the volume of output in 1960, on the basis of nine months' data. The three major domestic demand sectors, consumer spending, government spending, and capital investment, all showed either smaller increases in the rates of growth, or larger declines, when compared with a year ago. The only demand category to show an increase in the rate of growth was exports of goods and services, which advanced by about 5 1/2 per cent as compared with 2 per cent between 1958 and 1959.



## Production and Employment

Related indicators of real output by industry show little overall change in the volume of production between the second and third quarters, on a seasonally adjusted basis. Production in both the goods-producing and the service-producing industries showed only fractional movements.

Within the major goods-producing industries, production was off by 1 per cent in manufacturing and by 2 per cent in mining, but these declines were offset by a moderate increase in output in construction and public utilities and a substantial gain in output in forestry.

The estimated 1 per cent drop in manufacturing output in the third quarter mainly reflected an easing in activity in the durable manufacturing industries. However, non-durable manufacturing was also slightly lower. The changes in the major industrial groups within both durables and non-durables were mixed and to a considerable degree offsetting. Among the component industries of durable manufacturing, sizable production declines occurred in heating and cooking apparatus (-14 per cent), telecommunication equipment (-8 per cent), primary iron and steel (-3 per cent), and motor vehicle parts and accessories (-7 per cent); substantial increases took place in cement (+11 per cent), concrete products (+8 per cent), and gypsum products (+6 per cent).

Mining production was down nearly 2 per cent in the third quarter, with moderate to marginal declines in the four major groups -- fuel mining, non-metal mining, quarrying, and metal mining. So far as the individual metals or minerals are concerned, the major declines were in iron ore (-12 per cent), asbestos and zinc (-5 per cent), and crude petroleum (-6 per cent); partially offsetting increases occurred in the output of nickel (+5 per cent), natural gas (+7 per cent), and lead (+9 per cent).

Employment, like production, remained virtually unchanged between the second and third quarters, apart from seasonal factors. However, with the continuing growth of the labour force, unemployment as a percentage of the labour force rose from 6.9 to 7.3 per cent between the two periods, on a seasonally adjusted basis.

Turning to developments over the first nine months of the year, it is estimated that the physical volume of output was higher than in the same period of 1959 by about 1 1/2 per cent. Both the goods and service-producing industries showed gains of about the same order.

Among the primary industries, a small increase is indicated for agricultural output (in the nine months' comparison), reflecting a larger crop of better quality. Output in forestry was higher by more than 12 per cent, associated with greatly increased output of pulpwood and increased activity in other logging operations, which had been adversely affected in 1959 by the prolonged strike in the woods industry in British Columbia. Mining output was higher by more than 2 per cent, with marginal to substantial gains in metal mining, non-metals and fuels; a reduction in output in quarrying is related to lower activity in the construction industry.

A 1 per cent increase in production in manufacturing was the outcome of a gain of nearly 3 per cent in the non-durable industries, partially offset by a fractional decline in durable industries. Most of the non-durable goods industries increased their output, the gains ranging from 1 per cent in foods and beverages to 14 per cent in both tobacco and chemical products; production was lower in textiles, clothing, leather and rubber products.

While there was some increase in production of manufactured wood products over the nine months of the year, the only durable goods manufacturing industry to increase its output substantially was non-ferrous metal products (10 per cent); the gain was related to higher production of aluminum and nickel. Production of non-metallic mineral products was down 7 per cent, iron and steel 3 per cent and transportation equipment 2 per cent.

In a situation of reduced activity in construction, particularly in the housing sector, real output in the construction industry is estimated to have been lower by 7 per cent.

Real output increased in all the service industries in 1960, ranging from a fractional increase in trade to a 4 per cent increase in finance, insurance and real estate. Production of communication services continued to expand by a substantial amount, while activity in transportation was only moderately higher, reflecting the lower volume of traffic handled by the railways, more than offset by increased activity in other modes of transport.

In the nine months' comparison, the increase in employment in 1960 is close to 2 per cent over the comparable period of 1959, that is, approximately the same as for the increase in production. Most of the expansion in employment in 1960 took place in trade, finance, insurance and real estate and services, all industries having a high proportion of women workers. Female employment over the nine months was higher by 5.6 per cent, and male employment by only 0.5 per cent. The increase in employment of both males and females together fell short of the growth in the labour force, and unemployment as a percentage of the labour force was running at an average rate of 7.0 per cent of the labour force in 1960 compared with 6.3 per cent in the first nine months of 1959.

Employment by Industry - All Status Groups  
( '000s of persons )

	Average First 9 Mos. 1959	Average First 9 Mos. 1960	Percentage Change
Agriculture.....	706	683	-3.3
Other primary industry <u>1/</u> .....	186	203	9.1
Manufacturing.....	1,493	1,470	-1.5
Construction.....	439	414	-5.7
Transportation and other utilities..	520	518	-0.4
Trade.....	931	970	4.2
Finance, insurance and real estate..	215	227	5.6
Service.....	1,339	1,449	8.2
	5,830	5,933	1.8
Males.....	4,340	4,360	0.5
Females.....	1,490	1,573	5.6
Total Employed.....	5,830	5,933	1.8

1/ Includes forestry, fishing and trapping, mining, quarrying and oil wells.



## COMPONENTS OF GROSS NATIONAL EXPENDITURE

### Exports and Imports of Goods and Services

The sharp drop in exports of goods and services which marked the second quarter of 1960 was reversed in the third quarter when receipts from current international transactions rose 6 1/2 per cent, after allowing for seasonal factors. At a seasonally adjusted annual rate of \$7.1 billion, exports of goods and services were running only slightly below the record established in the first quarter of this year. At the same time, imports of goods and services were again slightly reduced, and at an annual rate of \$8.0 billion, were about 1 per cent lower than in the preceding quarter. Thus, the deficit on current account contracted by more than one-third between the two quarters, from \$1.4 billion to \$0.8 billion. Both the goods and the service items in the current international account contributed to this narrowing of the deficit in the third quarter, though the goods were by far the more important contributing factor.

Merchandise exports, seasonally adjusted, rose nearly 7 per cent between the two quarters. The main contributing commodity groups were agricultural products (+25 per cent), iron and steel (+13 per cent), and non-ferrous metals and products (+10 per cent). Merchandise imports, continuing to recede from the record level of the first quarter of 1960, were lower by almost 2 per cent. Complete commodity detail is not yet available, but the decline appears to have occurred in iron and its products, and to a lesser extent, in agricultural products and non-metallic mineral products. The consequence of the divergent movement in merchandise exports and imports was a small surplus on commodity account, the first since early in 1955.

Receipts from services, seasonally adjusted, rose by 5 per cent in the third quarter, mainly as a result of a significant increase in gold available for export and in receipts from interest and dividends. Payments for services rose by less than 1 per cent. Thus the large deficit on service account was somewhat narrower in the third quarter.

Turning to consider the first three quarters of 1960 with the same period of 1959, commodity exports show a substantial advance, amounting to about 8 per cent; the bulk of this year-to-year increase was concentrated in the first quarter (see accompanying Table). Second quarter exports fell somewhat below the exceptionally high level of the same period of 1959, but the increase in the third quarter comparison was again substantial, if less spectacular than in the first quarter comparison. Industrial materials largely account for the rise in exports, the greatest contributors being copper, newsprint, nickel, aluminum, and chemicals. Partially offsetting losses occurred in shipments of wheat and other grains, uranium and farm implements. It is notable that all of the rise in exports is attributable to the strength of demand from overseas countries; exports to the United States were virtually unchanged. The expansion in exports to countries of the European Common Market is particularly striking; the increases in sales to Japan and the United Kingdom were also very large. The accompanying Table shows the changes in exports by leading commodities and leading countries in the first three quarters of 1960 compared with the same period of 1959.



Domestic Exports  
(Percentage Change)

Leading Commodities	<u>1Q 1960</u> <u>1Q 1959</u>	<u>2Q 1960</u> <u>2Q 1959</u>	<u>3Q 1960</u> <u>3Q 1959</u>	<u>9 Mos. 1960</u> <u>9 Mos. 1959</u>
Newsprint Paper .....	16.9	-1.1	5.0	5.9
Wheat .....	-0.9	-30.6	3.6	-11.3
Lumber and Timber .....	18.3	-4.5	12.4	7.4
Wood Pulp .....	9.8	1.3	2.3	4.3
Uranium Ore .....	7.0	-21.7	-19.8	-11.8
Aluminum and Products .....	75.6	9.0	-2.6	21.6
Nickel .....	88.1	-4.0	12.9	24.7
Copper and Products .....	134.5	20.4	42.5	54.6
Fish and Fishing Products .....	-13.8	-6.0	2.1	-5.3
Farm Machinery and Implements .....	-16.2	-29.7	-16.7	-21.9
Total Domestic Exports .....	22.9	-2.9	7.5	8.1
<u>Leading Countries</u>				
United States .....	18.3	-10.1	-4.7	-0.3
United Kingdom .....	29.3	13.6	19.4	20.2
European Common Market Countries ..	36.8	19.7	50.5	36.1
Japan .....	61.0	2.6	26.7	27.9
Other .....	22.8	1.5	25.4	15.6
Total Domestic Exports .....	22.9	-2.9	7.5	8.1

Commodity imports show only a fractional increase in the nine months' comparison, with generally small and offsetting changes in the main commodity groups. Eight months' commodity detail suggests some increase in cotton and products, passenger cars and trucks, non-farm machinery, and a substantial reduction in imports of farm implements.

In the first three quarters of 1960 the current account deficit was about \$0.8 billion, compared with \$1.1 billion in the same period a year ago. This contraction is entirely attributable to the rise in merchandise exports to overseas countries; the deficit on service transactions continued to rise.

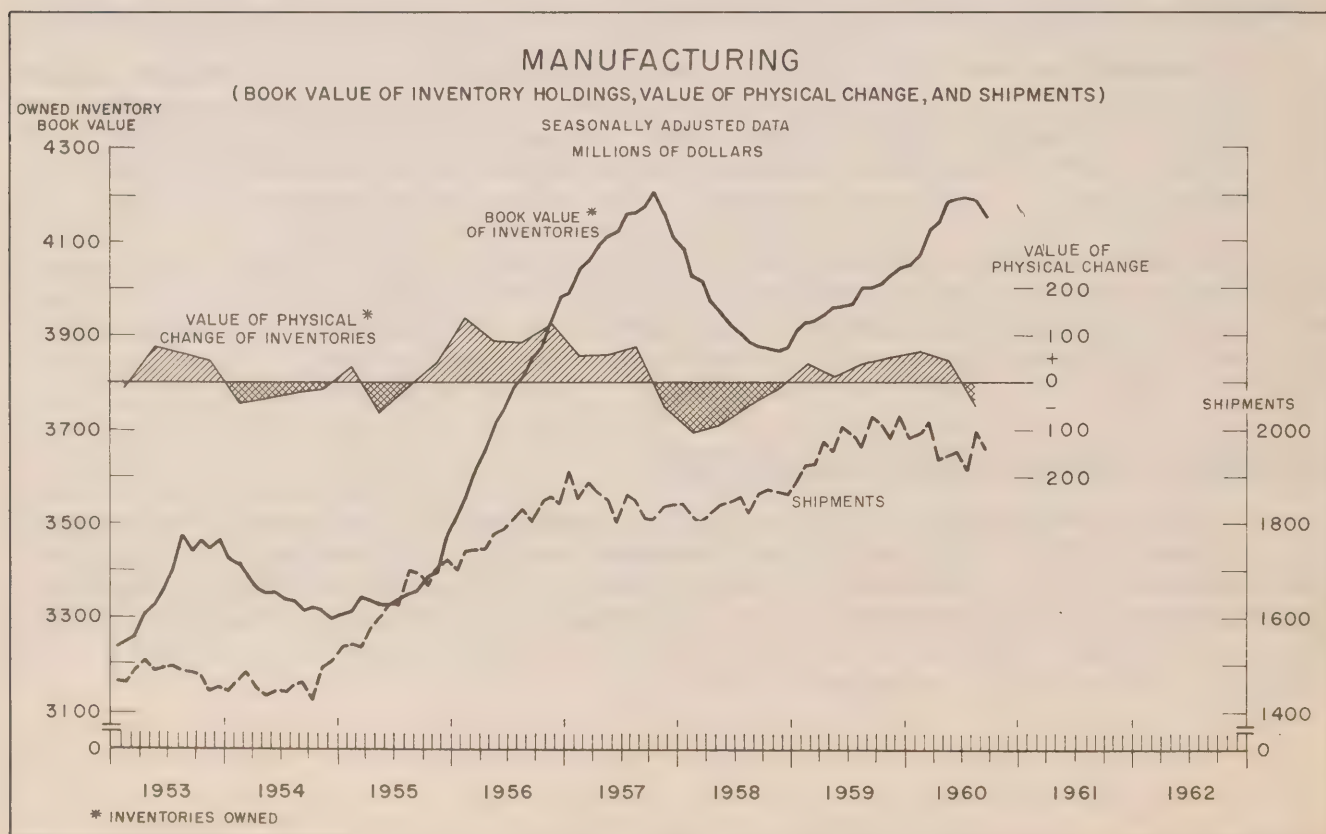
Investment in Non-Farm Business Inventories

A sharply declining rate of accumulation of business inventories was apparent in the first half of 1960, and in the third quarter this slackening in the rate of build-up gave way to a considerable liquidation. Stocks were drawn down for all major industry groups with the notable exception of retail trade. The pattern of change in business inventories by broad industrial groups over the past four quarters is shown in the accompanying Table.

Change in Business Inventories  
(Seasonally Adjusted at Annual Rates)  
(millions of dollars)

	<u>4Q 1959</u>	<u>1Q 1960</u>	<u>2Q 1960</u>	<u>3Q 1960</u>
Manufacturing .....	208	256	184	-200
Durables .....	168	84	208	-28
Non-Durables .....	40	172	-24	-172
Retail Trade .....	40	228	20	120
Motor Vehicle Dealers .....	-112	92	128	12
Other .....	152	136	-108	108
Wholesale Trade .....	52	104	44	-160
Other Industries .....	-4	8	-4	-96
Total .....	296	596	244	-336

Among the factors affecting inventory behaviour this year are the absence of any clear-cut upward trend in production and sales, the softening in some prices, the ease of obtaining quick delivery on order (reflecting ample capacity), and perhaps also a long-term trend toward more efficient control of inventories.





In manufacturing industries the rate of liquidation in the third quarter was somewhat in excess of the rate of accumulation in the immediately preceding quarter. Liquidation was much the most pronounced in non-durable manufacturing industries where it was fairly general but particularly large in food items. Trends were mixed in the durable goods industries with liquidation in iron and steel and electrical apparatus, but further accumulation in non-ferrous metal products, non-metallic mineral products and wood products.

While stocks were also drawn down in wholesale trade, the shift from accumulation to liquidation was not so pronounced as in manufacturing. Liquidation was fairly general among wholesale groups, both durable and non-durable.

In retail trade, a sharp increase in the rate of accumulation was the outcome of opposing movements in stocks of durable and non-durable goods. The rate of build-up in the durables group dropped sharply, mainly reflecting the behaviour of automotive dealers who were attempting to clear 1960 models. However, retail stocks in non-durable lines shifted markedly from liquidation in the second quarter to a considerably higher rate of accumulation in the third quarter. As has been noted, this development was accompanied by only a small advance in consumer spending for non-durable goods in the third quarter, following the very strong gains which were made in the second quarter of this year, particularly in the clothing group. The behaviour of stocks in apparel stores was especially marked by the shift from liquidation in the second quarter to substantial accumulation in the third. While this was the predominant pattern for most non-durable groups between the second and third quarters, in some lines inventory holdings moved in the opposite direction.

#### Business Gross Fixed Capital Formation

Following two quarters of decline, business gross fixed capital formation (including outlays for new housing) advanced by 1 1/2 per cent in the third quarter, and was running at a seasonally adjusted annual rate of \$6.5 billion. This reversal in the quarter-to-quarter movement in private capital outlays is attributable to expanded activity in construction, both residential and non-residential. Expenditures for machinery and equipment declined for the fourth quarter in succession.

A 7 per cent increase in outlays for new housing in the third quarter brought the level to a seasonally adjusted annual rate of \$1.5 billion, following a precipitate decline in the second quarter. This reversal in trend reflected in part the increased availability of mortgage funds at mid-year, particularly under the National Housing Act. Direct Central Mortgage and Housing Corporation lending had been resumed in April and there were significant increases in lending activity of the life insurance, loan and trust companies in August and succeeding months. The rate of housing starts in all areas, seasonally adjusted, rose by 18 per cent in the third quarter, while the rate of completions remained virtually unchanged.

The rise in outlays for non-residential construction and the decline in expenditures for machinery and equipment in the third quarter were virtually offsetting. Total investment in plant and equipment in the third quarter was at a seasonally adjusted annual rate of \$5.0 billion, about the same as in the second quarter.

In the first three quarters of this year, the rate of capital spending as a whole was running about 5 per cent below the average for the full year 1959. Much the most pronounced decline occurred in outlays for housing which were down by about 12 per cent in this comparison. Expenditures for non-residential construction were running close to last year's average but investment in machinery and equipment was



lower by 5 per cent. Thus the present estimates of total business fixed capital formation up to the end of the third quarter of 1960 indicate that the expectations of a modest increase over the year 1959, as expressed in the mid-year review of investment intentions, published earlier this year, is not likely to be met.

### Personal Expenditure on Consumer Goods and Services

In the third quarter of 1960 personal expenditure on consumer goods and services was running at a seasonally adjusted annual rate of \$23.1 billion, about the same as in the second quarter. With little overall change in consumer prices, real consumption remained unchanged. Weakness in the demand for durable goods acted to restrain the expansion of consumer spending; purchases of non-durables and services were both somewhat higher.

A fractional increase in consumer spending on non-durables in the third quarter contrasts with the sharp rise in the second quarter and a moderate decline in the first. The movements in the non-durable categories in the third quarter were diverse; increases occurred in spending on food, tobacco, electricity and other household supplies, and in the expenditures related to the use of automobiles; purchases of clothing, fuel, and alcoholic beverages were lower. Prices of non-durable goods fell between the two quarters, chiefly reflecting a 1 per cent drop in the price of food, after account is taken of seasonal factors. The gain in real consumption of non-durables was therefore somewhat larger than the small increase indicated by the value figures.

The decline of 3 1/2 per cent in purchases of durable goods in the third quarter follows a succession of somewhat smaller declines in each of the two preceding quarters. The third quarter drop in spending on new cars is estimated at 7 1/2 per cent, but this was partly offset by a small increase in net purchases of used cars. Cars of North American origin, and cars of British and European origin each shared in the decline. The downward trend in purchases of furniture, appliances and radios, evident in the first half of the year, continued in the third quarter; the only item to show a small increase was the home furnishings group. With prices little changed, the fall in durable goods purchases in real terms in the third quarter closely matched the decline in the value figures.

Consumer spending on services continued to rise in the third quarter. About one-half of the 1 per cent increase in services is estimated to be attributable to the upward movement of prices in the service sector.

The relatively unchanged level of consumer spending in the third quarter was accompanied by a rise in personal disposable income of close to 2 1/2 per cent. While there was a significant rise in the rate of personal saving, bringing it to nearly 6 per cent of disposable income, the rate remained below the average level of the years 1958 and 1959.

In the first nine months of 1960, total consumer expenditures have shown an increase of about 4 per cent over the same period of 1959. With overall consumer prices higher by about 1 per cent, the gain in the real volume of consumption is estimated to be about 3 per cent. Adjusting these figures for the increase in population between the two years, the gain in real per capita consumption is estimated to have amounted to somewhat less than 1 per cent. Although small by post-war standards, this increase is in contrast to the declines in real per capita consumption that occurred in 1951, 1954, 1957, and 1958.

The pattern of consumer spending in the recent past has altered considerably. This is evident in the accompanying Table, which compares the year-to-year changes in the main categories of consumption for the period 1958 to 1959, and the first nine months of 1959 to 1960. Whereas rising consumer demand for durable goods provided an expansionary influence on the economy in 1959, the reverse is true of the year 1960. Virtually all categories of durables were so affected. Some of the weakness in the market for household durables is probably related to the decline in activity in housing from the extremely high levels characteristic of 1958 and 1959.

### Consumer Expenditure

#### Per Cent Change

	Year 1958 to Year 1959	3 Quarters 1959 to 3 Quarters 1960
Food .....	3.4	3.1
Clothing .....	4.2	2.6
Other .....	7.6	8.0
Total Non-Durable Goods ..	5.0	4.8
Appliances and Radios .....	6.1	-5.7
Home Furnishings and Furniture ....	3.2	-2.6
Autos (New and Used) .....	8.8	-1.4
Other .....	3.9	0.9
Total Durable Goods .....	6.3	-2.3
Total All Goods .....	5.3	3.4
Total Services .....	6.8	5.3
Total Personal Expenditure (Goods and Services) ...	5.8	4.1

### CHANGES IN INCOME COMPONENTS

National Income, seasonally adjusted, rose by 1 per cent in the third quarter. All the major components, with the significant exception of corporate profits, shared in this advance. Income in the personal sector rose somewhat more than National Income, and personal disposable income rose still more -- by nearly 2 1/2 per cent. A significant drop in personal direct taxes between the second and third quarter reflects in part the high level of collections in the second quarter when taxpayers were settling their tax bills on the basis of the increased rates which had become effective at mid-1959.

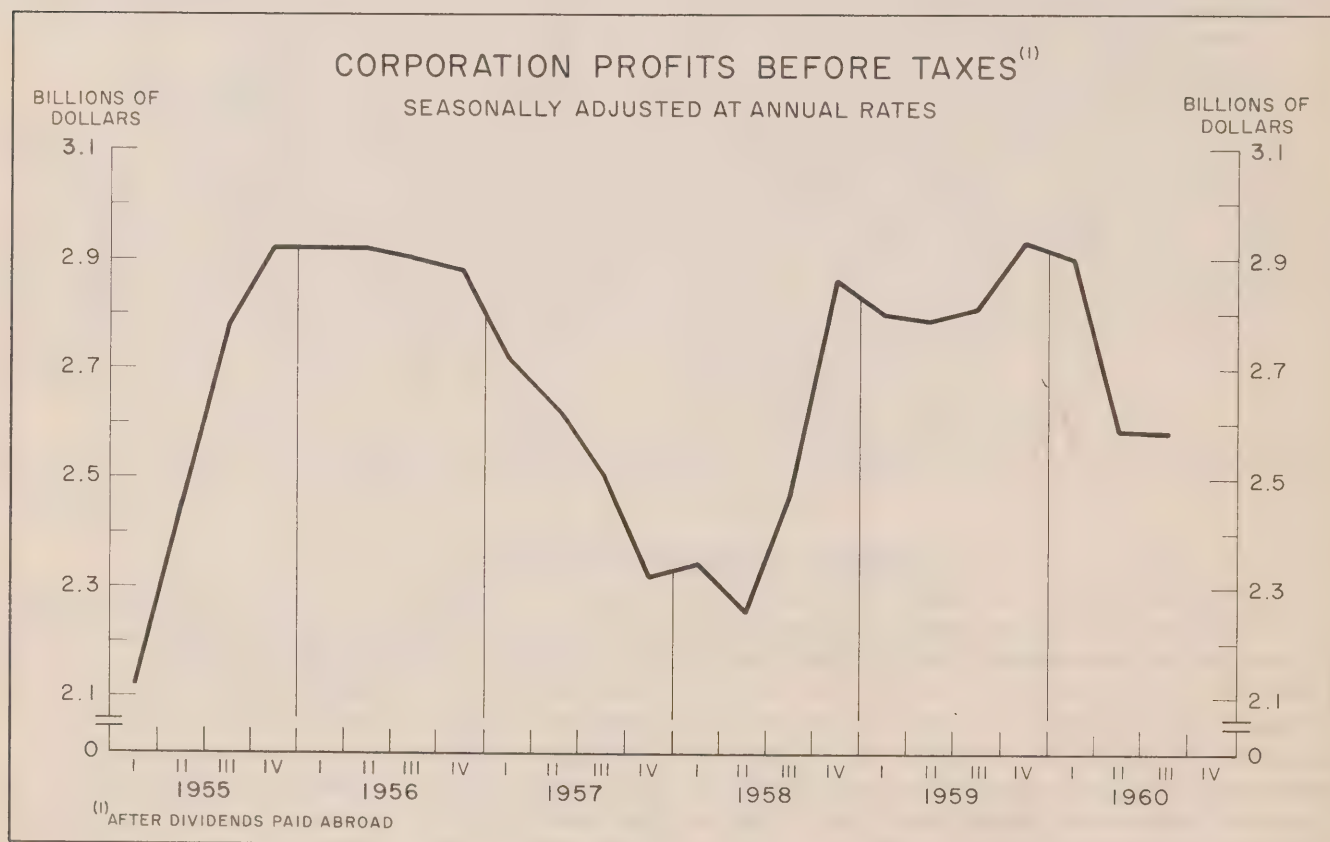
Labour income rose by about 1 per cent in the third quarter, after having been virtually unchanged in the second. Increases occurred in most industries but the changes were for the most part rather small. The largest increase occurred in forestry, where labour income rose more than 6 per cent. Labour income in manu-



facturing fell fractionally, reflecting a slight drop in employment, partly offset by somewhat longer hours of work and higher average earnings.

In the first nine months of 1960, labour income was 4 per cent higher than in the same period of 1959. Much the largest gain -- over 20 per cent -- occurred in forestry, reflecting in part the losses arising out of the industrial dispute that had interrupted employment in the industry in British Columbia in 1959. The gains in the service-producing industries continued to be relatively large, amounting to about 5 per cent in trade and finance, insurance and real estate, and more than 7 per cent in government and non-government service; this trend reflects the further expansion of employment in these areas. Labour income in manufacturing was moderately higher and in mining slightly higher. Construction was the only major industry group to record a decline in labour income in the nine months' period.

After having fallen sharply in the second quarter of 1960, corporate profits showed little change in the third quarter, after seasonal adjustment. This stability in total corporate profits was the outcome of conflicting movements in the profits of individual industries. Profits in the finance, insurance and real estate group rose sharply, but a small decline occurred in manufacturing. Profits in transportation were adversely affected by the decline in the volume of traffic carried by the railways, and the widespread weakness in retail sales reduced profits in the trade group.





The recent stability in corporate profits, following the decline in the two preceding quarters, leaves total corporate profits in the first nine months of the year about 6 per cent lower than in the same period of 1959. A deterioration in profits was a fairly common experience among industries in this comparison. The sharpest drop was in wholesale and retail trade where it amounted to about 22 per cent. The drop in manufacturing profits was about 8 per cent, with the sharpest declines in the iron and steel and non-metallic mineral sub-groups, offset to some extent by substantially higher profits in paper products and products of petroleum and coal. Mining, quarrying and oil wells and the finance, insurance and real estate industries recorded a decided improvement in profits in the nine months' comparison.

TABLE 1. NATIONAL INCOME AND  
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	3,864	4,104	4,252	4,214	16,434
2. Military Pay and Allowances .....	117	126	125	123	491
3. Corporation Profits before Taxes <sup>1</sup> .....	471	658	686	668	2,483
4. Rent, Interest, and Miscellaneous Investment Income ..	459	471	532	553	2,015
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	10	133	877	173	1,193
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	431	533	551	604	2,119
7. Inventory Valuation Adjustment <sup>4</sup> .....	-27	15	5	-26	-33
8. NET NATIONAL INCOME AT FACTOR COST .....	5,325	6,040	7,028	6,309	24,702
9. Indirect Taxes less Subsidies .....	950	968	963	1,002	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	955	1,002	979	987	3,923
11. Residual Error of Estimate .....	-120	-30	124	124	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,110	7,980	9,094	8,422	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,100)	(7,847)	(8,217)	(8,249)	(31,413)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See footnote 5, Table 2.

TABLE 2. GROSS NATIONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	4,834	5,215	5,166	5,820	21,035
2. Government Expenditure on Goods and Services <sup>1,2</sup> .....	1,360	1,431	1,763	1,607	6,161
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	1,410	1,883	1,913	1,769	6,975
4. New Residential Construction .....	301	458	494	510	1,763
5. New Non-Residential Construction .....	532	718	852	709	2,811
6. New Machinery and Equipment <sup>4</sup> .....	577	707	567	550	2,401
7. Value of Physical Change in Inventories <sup>5</sup> .....	-358	-265	561	-373	-435
8. Non-Farm Business Inventories .....	-51	-146	-84	-42	-323
9. Farm Inventories and Grain in Commercial Channels...	-307	-119	645	-331	-112
10. Exports of Goods and Services .....	1,387	1,616	1,655	1,674	6,332
11. Deduct: Imports of Goods and Services .....	-1,643	-1,930	-1,840	-1,950	-7,363
12. Residual Error of Estimate .....	120	30	-124	-125	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,110	7,980	9,094	8,422	32,606

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes defence expenditures of:

(millions of dollars)

1958					1959					1960		
I	II	III	IV	Year	I	II	III	IV	Year	I	II	III
472	377	404	408	1,661	457	356	371	376	1,560	434	349	388

3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

4. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

5. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).

GROSS NATIONAL PRODUCT, BY QUARTERS, 1958-1960  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
4,171	4,437	4,571	4,538	17,717	4,382	4,596	4,741	1.
118	129	127	122	496	119	129	127	2.
568	810	780	678	2,836	595	731	694	3.
513	504	517	560	2,094	521	530	545	4.
-29	151	920	66	1,108	-8	84	974	5.
453	552	543	602	2,150	440	520	540	6.
-33	-42	-42	-3	-120	-34	-29	-19	7.
5,761	6,541	7,416	6,563	26,281	6,015	6,561	7,602	8.
1,000	1,056	1,079	1,085	4,220	1,066	1,114	1,089	9.
962	1,070	1,036	1,063	4,131	1,017	1,094	1,029	10.
-120	-103	80	104	-39	-40	-151	130	11.
7,603	8,564	9,611	8,815	34,593	8,058	8,618	9,850	12.
(7,632)	(8,413)	(8,691)	(8,749)	(33,485)	(8,066)	(8,534)	(8,876)	13.

EXPENDITURE, BY QUARTERS, 1958-1960  
of dollars

1959				Year	1960			
I	II	III	IV		I	II	III	
5,163	5,523	5,442	6,133	22,261	5,339	5,789	5,668	1.
1,444	1,556	1,818	1,619	6,437	1,494	1,551	1,934	2.
1,341	1,899	1,946	1,775	6,961	1,414	1,710	1,794	3.
322	462	480	479	1,743	337	351	404	4.
471	646	783	692	2,592	474	624	797	5.
548	791	683	604	2,626	603	735	593	6.
-68	-80	774	-326	300	66	-133	685	7.
262	-13	60	46	355	357	-40	-107	8.
-330	-67	714	-372	-55	-291	-93	792	9.
1,347	1,727	1,779	1,804	6,657	1,590	1,700	1,917	10.
-1,745	-2,164	-2,067	-2,086	-8,062	-1,885	-2,150	-2,018	11.
121	103	-81	-104	39	40	151	-130	12.
7,603	8,564	9,611	8,815	34,593	8,058	8,618	9,850	13.



TABLE 3. SOURCES OF PERSONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ....	3,864	4,104	4,252	4,214	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-152	-149	-156	-157	-614
3. Military Pay and Allowances .....	117	126	125	123	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	30	140	868	159	1,197
5. Net Income of Non-Farm Unincorporated Business .....	431	533	551	604	2,119
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	497	538	535	550	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	765	638	599	655	2,657
8. Charitable Contributions by Corporations .....	7	9	10	10	36
9. PERSONAL INCOME .....	5,559	5,939	6,784	6,158	24,440

1. This item differs from line 5 of Table 1 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Direct Taxes: .....	456	431	440	467	1,794
2. Income Taxes .....	380	376	393	406	1,555
3. Succession Duties .....	33	33	27	33	126
4. Miscellaneous .....	43	22	20	28	113
5. Personal Expenditure on Consumer Goods and Services:	4,834	5,215	5,166	5,820	21,035
6. Non-Durable Goods .....	2,453	2,609	2,651	3,140	10,853
7. Durable Goods .....	538	688	600	674	2,500
8. Services <sup>1</sup> .....	1,843	1,918	1,915	2,006	7,682
9. Personal Net Saving: .....	269	293	1,178	-129	1,611
10. Personal Saving Excluding Change in Farm Inventories	531	386	567	206	1,690
11. Value of Physical Change in Farm Inventories .....	-262	-93	611	-335	-79
12. PERSONAL INCOME .....	5,559	5,939	6,784	6,158	24,440
13. (Personal Disposable Income) <sup>2</sup> .....	(5,103)	(5,508)	(6,344)	(5,691)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1958-1960  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
4,171	4,437	4,571	4,538	17,717	4,382	4,596	4,741	1.
-162	-157	-164	-181	-664	-190	-182	-194	2.
118	129	127	122	496	119	129	127	3.
-10	175	908	43	1,116	9	89	968	4.
453	552	543	602	2,150	440	520	540	5.
529	577	574	620	2,300	582	603	596	6.
824	689	636	636	2,785	881	744	699	7.
8	11	11	10	40	9	10	10	8.
5,931	6,413	7,206	6,390	25,940	6,232	6,509	7,487	9.

INCOME, BY QUARTERS, 1958-1960  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
480	531	525	552	2,088	552	640	580	1.
375	447	454	471	1,747	429	548	501	2.
35	30	30	35	130	46	40	33	3.
70	54	41	46	211	77	52	46	4.
5,163	5,523	5,442	6,133	22,261	5,339	5,789	5,668	5.
2,570	2,711	2,789	3,330	11,400	2,656	2,861	2,939	6.
584	763	624	687	2,658	582	750	596	7.
2,009	2,049	2,029	2,116	8,203	2,101	2,178	2,133	8.
288	359	1,239	-295	1,591	341	80	1,239	9.
595	405	569	89	1,658	577	200	528	10.
-307	-46	670	-384	-67	-236	-120	711	11.
5,931	6,413	7,206	6,390	25,940	6,232	6,509	7,487	12.
(5,451)	(5,882)	(6,681)	(5,838)	(23,852)	(5,680)	(5,869)	(6,907)	13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1958				Year
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income ....	16,144	16,360	16,460	16,772	16,434
2. Military Pay and Allowances .....	496	500	476	492	491
3. Corporation Profits before Taxes <sup>1</sup> .....	2,340	2,260	2,468	2,864	2,483
4. Rent, Interest, and Miscellaneous Investment Income..	1,872	1,948	2,108	2,132	2,015
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,168	1,280	1,256	1,068	1,193
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	2,068	2,064	2,120	2,224	2,119
7. Inventory Valuation Adjustment .....	-108	60	20	-104	-33
8. NET NATIONAL INCOME AT FACTOR COST .....	23,980	24,472	24,908	25,448	24,702
9. Indirect Taxes less Subsidies .....	3,872	3,828	3,820	4,012	3,883
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,972	3,936	3,880	3,904	3,923
11. Residual Error of Estimate .....	-36	196	216	16	98
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	31,788	32,432	32,824	33,380	32,606
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,620)	(31,152)	(31,568)	(32,312)	(31,413)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	20,640	20,804	21,060	21,636	21,035
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,992	6,076	6,244	6,332	6,161
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,984	6,960	6,936	7,020	6,975
4. New Residential Construction .....	1,644	1,740	1,792	1,876	1,763
5. New Non-Residential Construction .....	2,872	2,864	2,804	2,704	2,811
6. New Machinery and Equipment <sup>3</sup> .....	2,468	2,356	2,340	2,440	2,401
7. Value of Physical Change in Inventories .....	-980	-332	-56	-372	-435
8. Non-Farm Business Inventories .....	-788	-312	-132	-60	-323
9. Farm Inventories and Grain in Commercial Channels <sup>4</sup>	-192	-20	76	-312	-112
10. Exports of Goods and Services .....	6,348	6,344	6,176	6,460	6,332
11. Deduct: Imports of Goods and Services .....	-7,236	-7,224	-7,316	-7,676	-7,363
12. Residual Error of Estimate .....	40	-196	-220	-20	-99
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	31,788	32,432	32,824	33,380	32,606

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.

2. Includes capital expenditure by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

3. The 1959 annual figure is \$150 million higher than that shown in "Private and Public Investment in Canada, Outlook, 1960", Table 9, to take account of later available information. This adjustment is included in the quarterly distribution of expenditures on new machinery and equipment.

(millions)

4. Detail: Farm Inventories -	1958				Year
	I	II	III	IV	
Value of grain crop production .....	860	860	860	860	860
Depletion of farm stocks of grain .....	-972	-992	-872	-1,004	-960
Change in livestock inventories .....	-12	196	72	-172	21
Grain in Commercial Channels .....	-68	-84	16	4	-33

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.



NATIONAL PRODUCT, BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
17,372	17,640	17,756	18,100	17,717	18,244	18,276	18,432	1.
500	508	488	488	496	504	504	500	2.
2,800	2,796	2,816	2,932	2,836	2,900	2,588	2,584	3.
2,112	2,056	2,088	2,120	2,094	2,192	2,156	2,168	4.
1,136	1,188	1,108	1,000	1,108	1,184	1,044	1,104	5.
2,140	2,156	2,128	2,176	2,150	2,060	2,064	2,104	6.
-132	-168	-168	-12	-120	-136	-116	-76	7.
25,928	26,176	26,216	26,804	26,281	26,948	26,516	26,816	8.
4,076	4,188	4,268	4,348	4,220	4,304	4,436	4,340	9.
4,008	4,152	4,132	4,232	4,131	4,268	4,256	4,116	10.
-56	12	-	-112	-39	116	-88	-	11.
33,956	34,528	34,616	35,272	34,593	35,636	35,120	35,272	12.
(32,820)	(33,340)	(33,508)	(34,272)	(33,485)	(34,452)	(34,076)	(34,168)	13.

BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
21,936	22,024	22,304	22,780	22,261	22,676	23,112	23,140	1.
6,336	6,612	6,444	6,356	6,437	6,584	6,588	6,776	2.
6,728	6,948	7,072	7,096	6,961	6,912	6,396	6,488	3.
1,756	1,748	1,720	1,748	1,743	1,708	1,400	1,496	4.
2,572	2,572	2,580	2,644	2,592	2,584	2,524	2,576	5.
2,400	2,628	2,772	2,704	2,626	2,620	2,472	2,416	6.
332	296	412	160	300	656	292	-284	7.
452	272	400	296	355	596	244	-336	8.
-120	24	12	-136	-55	60	48	52	9.
6,364	6,640	6,648	6,976	6,657	7,224	6,708	7,140	10.
-7,800	-7,976	-8,268	-8,204	-8,062	-8,300	-8,064	-7,988	11.
60	-16	4	108	39	-116	88	-	12.
33,956	34,528	34,616	35,272	34,593	35,636	35,120	35,272	13.

of dollars)

1959					1960		
I	II	III	IV	Year	I	II	III
920	924	924	924	923	988	992	992
-1,108	-832	-1,024	-1,080	-1,011	-876	-976	-1,116
60	-4	56	-28	21	68	-96	-8
8	-64	56	48	12	-120	128	184

TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Wages, Salaries, and Supplementary Labour Income ....	16,144	16,360	16,460	16,772	16,434
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-600	-608	-620	-628	-614
3. Military Pay and Allowances .....	496	500	476	492	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,196	1,256	1,284	1,052	1,197
5. Net Income of Non-Farm Unincorporated Business .....	2,068	2,064	2,120	2,224	2,119
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	2,080	2,092	2,196	2,112	2,120
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	2,472	2,644	2,616	2,896	2,657
8. Charitable Contributions by Corporations .....	36	32	36	40	36
9. PERSONAL INCOME .....	23,892	24,340	24,568	24,960	24,440

1. This item differs from line 5, Table 5 in that it excludes the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1958				
	I	II	III	IV	Year
1. Personal Direct Taxes: .....	1,832	1,688	1,784	1,872	1,794
2. Income Taxes .....	1,596	1,460	1,572	1,592	1,555
3. Succession Duties .....	132	132	108	132	126
4. Miscellaneous .....	104	96	104	148	113
5. Personal Expenditure on Consumer Goods and Services:	20,640	20,804	21,060	21,636	21,035
6. Non-Durable Goods .....	10,752	10,808	10,824	11,028	10,853
7. Durable Goods .....	2,492	2,420	2,464	2,624	2,500
8. Services <sup>1</sup> .....	7,396	7,576	7,772	7,984	7,682
9. Personal Net Saving .....	1,420	1,848	1,724	1,452	1,611
10. PERSONAL INCOME .....	23,892	24,340	24,568	24,960	24,440
11. (Personal Disposable Income) <sup>2</sup> .....	(22,060)	(22,652)	(22,784)	(23,088)	(22,646)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
17,372	17,640	17,756	18,100	17,717	18,244	18,276	18,432	1.
-640	-640	-652	-724	-664	-748	-756	-776	2.
500	508	488	488	496	504	504	500	3.
1,128	1,248	1,120	968	1,116	1,156	1,024	1,128	4.
2,140	2,156	2,128	2,176	2,150	2,060	2,064	2,104	5.
2,212	2,248	2,356	2,384	2,300	2,420	2,388	2,420	6.
2,672	2,860	2,788	2,820	2,785	2,952	2,964	3,072	7.
40	40	40	40	40	40	40	40	8.
25,424	26,060	26,024	26,252	25,940	26,628	26,504	26,920	9.

INCOME, BY QUARTERS, 1958-1960  
AT ANNUAL RATES  
of dollars)

1959				Year	1960			
I	II	III	IV		I	II	III	
1,956	2,044	2,148	2,204	2,088	2,236	2,448	2,300	1.
1,616	1,700	1,820	1,852	1,747	1,844	2,092	1,984	2.
140	120	120	140	130	184	160	132	3.
200	224	208	212	211	208	196	184	4.
21,936	22,024	22,304	22,780	22,261	22,676	23,112	23,140	5.
11,156	11,288	11,456	11,700	11,400	11,576	11,876	11,920	6.
2,708	2,664	2,584	2,676	2,658	2,668	2,628	2,536	7.
8,072	8,072	8,264	8,404	8,203	8,432	8,608	8,684	8.
1,532	1,992	1,572	1,268	1,591	1,716	944	1,480	9.
25,424	26,060	26,024	26,252	25,940	26,628	26,504	26,920	10.
(23,468)	(24,016)	(23,876)	(24,048)	(23,852)	(24,392)	(24,056)	(24,620)	11.



TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)  
UNADJUSTED  
(millions)

	1958				Year
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	3,782	4,065	4,030	4,544	16,421
2. Non-Durable Goods .....	2,106	2,222	2,261	2,681	9,270
3. Durable Goods .....	465	590	526	577	2,158
4. Services .....	1,211	1,253	1,243	1,286	4,993
5. Government Expenditure on Goods and Services .....	882	920	1,155	1,028	3,985
6. Business Gross Fixed Capital Formation .....	961	1,285	1,301	1,191	4,738
7. New Residential Construction .....	211	318	341	350	1,220
8. New Non-Residential Construction .....	356	481	572	468	1,877
9. New Machinery and Equipment <sup>3</sup> .....	394	486	388	373	1,641
10. Change in Inventories .....	-377	-334	749	-418	-380
11. Non-Farm Business Inventories .....	-20	-102	-67	-39	-228
12. Farm Inventories and Grain in Commercial Channels ..	-357	-232	816	-379	-152
13. Exports of Goods and Services .....	1,186	1,391	1,411	1,452	5,440
14. Deduct: Imports of Goods and Services .....	-1,357	-1,626	-1,559	-1,656	-6,198
15. Residual Error of Estimate .....	88	22	-91	-92	-73
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS.	5,165	5,723	6,996	6,049	23,933

1. See footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

3. The 1959 figures reflect the \$150 million adjustment in current dollars made to take account of later available information - see footnote 4, Table 2.

DOLLARS, BY QUARTERS, 1958-1960  
 FOR SEASONALITY<sup>1,2</sup>  
 of dollars)

1959					1960			
I	II	III	IV	Year	I	II	III	
3,970	4,273	4,197	4,723	17,163	4,057	4,419	4,326	1.
2,197	2,335	2,383	2,811	9,726	2,258	2,439	2,496	2.
493	640	540	586	2,259	488	628	519	3.
1,280	1,298	1,274	1,326	5,178	1,311	1,352	1,311	4.
908	969	1,154	1,000	4,031	905	935	1,173	5.
895	1,258	1,285	1,163	4,601	920	1,107	1,156	6.
219	307	317	316	1,159	222	228	261	7.
308	422	511	447	1,688	301	400	507	8.
368	529	457	400	1,754	397	479	388	9.
-156	-161	928	-407	204	-56	-199	912	10.
214	-2	44	25	281	282	-21	-94	11.
-370	-159	884	-432	-77	-338	-178	1,006	12.
1,140	1,448	1,464	1,505	5,557	1,321	1,389	1,565	13.
-1,468	-1,824	-1,752	-1,777	-6,821	-1,577	-1,784	-1,680	14.
86	74	-58	-74	28	28	106	-91	15.
5,375	6,037	7,218	6,133	24,763	5,598	5,973	7,361	16.





CATALOGUE No.

13-001

QUARTERLY

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NATIONAL ACCOUNTS  
INCOME AND EXPENDITURE  
  
FOURTH QUARTER  
AND PRELIMINARY ANNUAL  
  
1960

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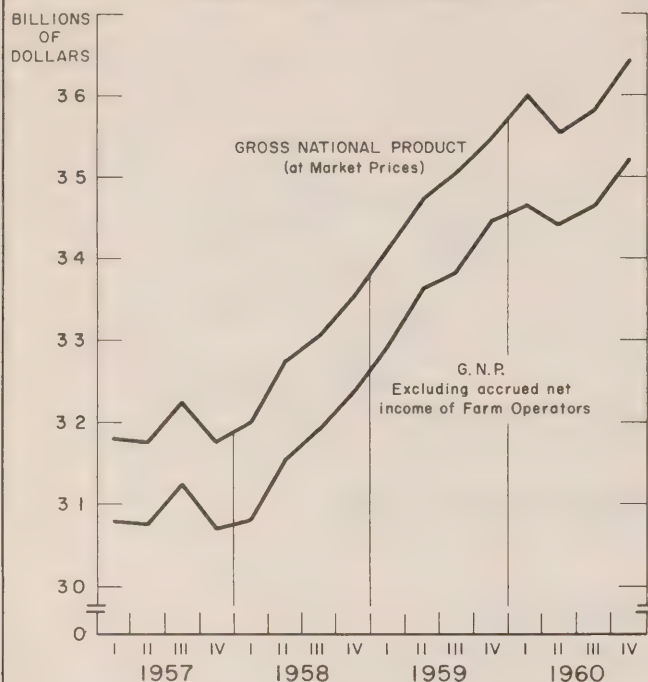
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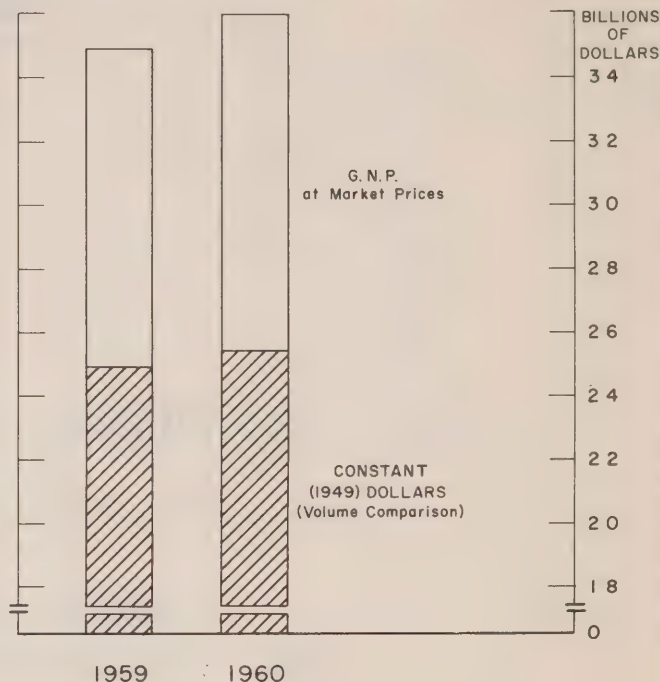
Price \$2.00 per year

THE ADVANCE IN GROSS NATIONAL PRODUCT WAS INTERRUPTED IN 1960; PRODUCTION DECLINED IN THE SECOND QUARTER OF THE YEAR

(SEASONALLY ADJUSTED AT ANNUAL RATES)

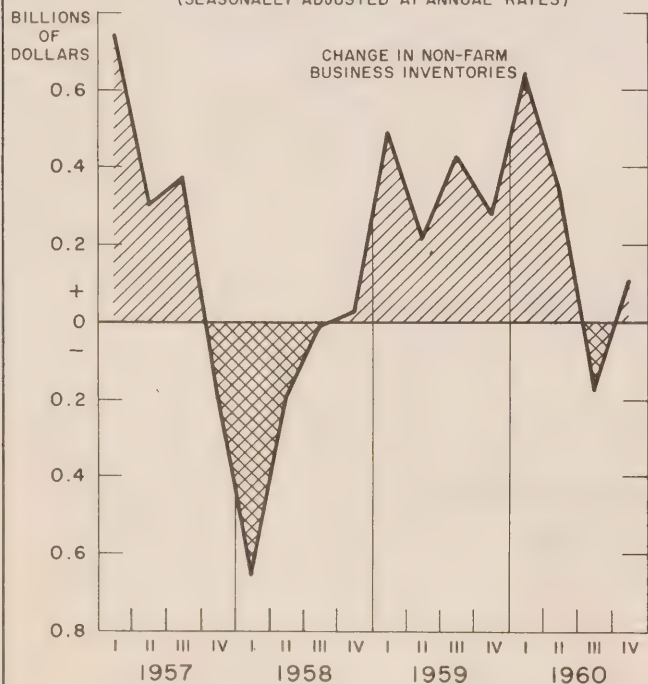


THE VALUE INCREASE FOR THE YEAR AS A WHOLE AMOUNTED TO 3 PER CENT, WITH THE VOLUME OF PRODUCTION HIGHER BY ABOUT 2 PER CENT



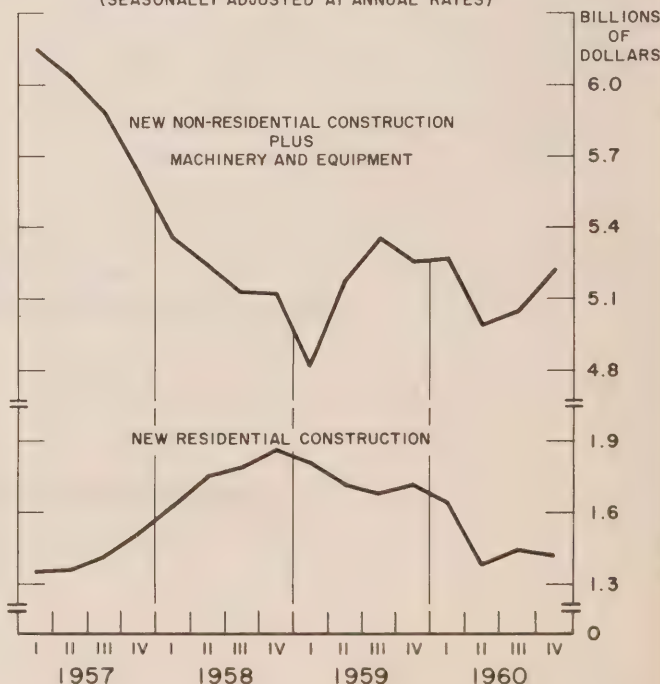
CUT-BACKS IN THE INVENTORY SECTOR WERE A MAJOR FACTOR CONTRIBUTING TO THE SLOW-DOWN IN ACTIVITY; BY THE THIRD QUARTER OF THE YEAR, FINAL DEMAND WAS BEING MET IN PART BY DRAWING UPON STOCKS ON HAND, BUT THE LIQUIDATION DID NOT CONTINUE INTO THE FOURTH QUARTER

(SEASONALLY ADJUSTED AT ANNUAL RATES)

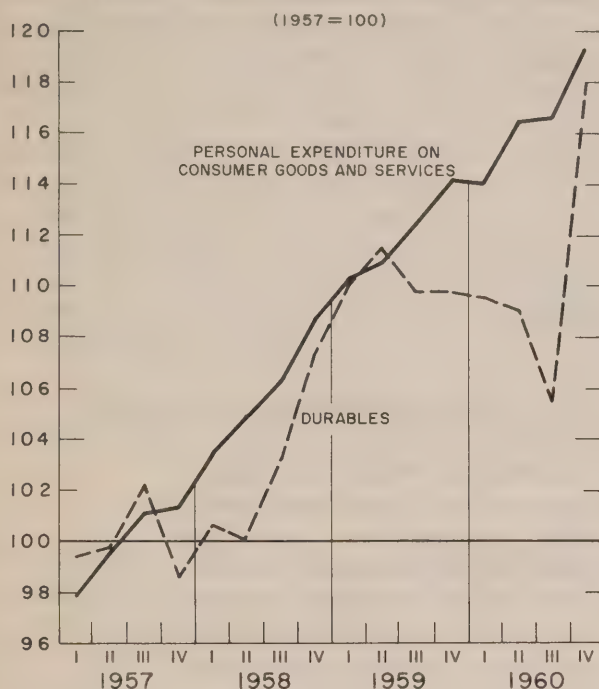


BUSINESS OUTLAYS FOR NEW PLANT AND EQUIPMENT WEAKENED IN THE LATTER PART OF 1959, BUT THE DECLINE WAS HALTED IN THE LAST HALF OF 1960. OUTLAYS FOR NEW HOUSING MOVED DOWNWARD DURING THE YEAR

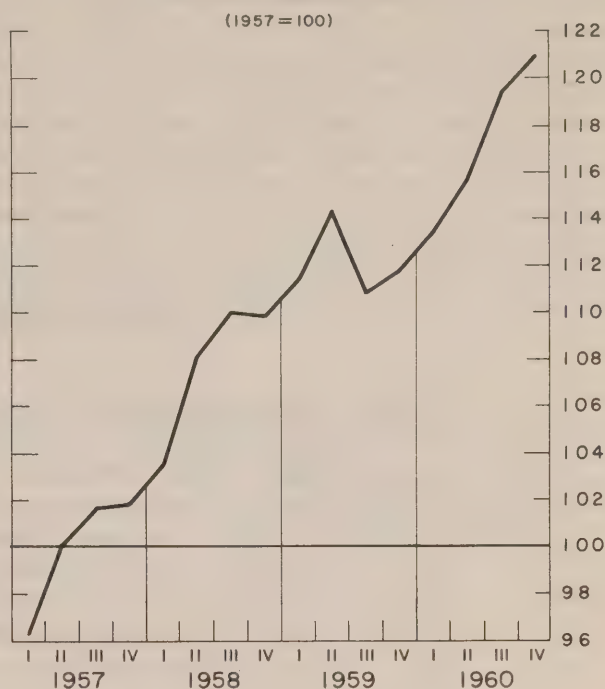
(SEASONALLY ADJUSTED AT ANNUAL RATES)



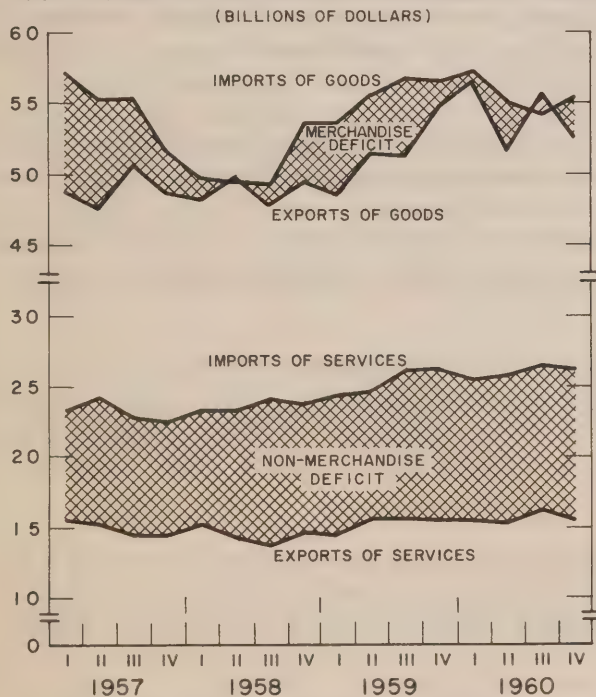
CONSUMER EXPENDITURE CONTINUED TO PROVIDE STRENGTH ON THE DEMAND SIDE, ALTHOUGH THE ADVANCE WAS UNEVEN; OUTLAYS FOR DURABLE GOODS CONTINUED WEAK UNTIL THE FINAL QUARTER OF THE YEAR



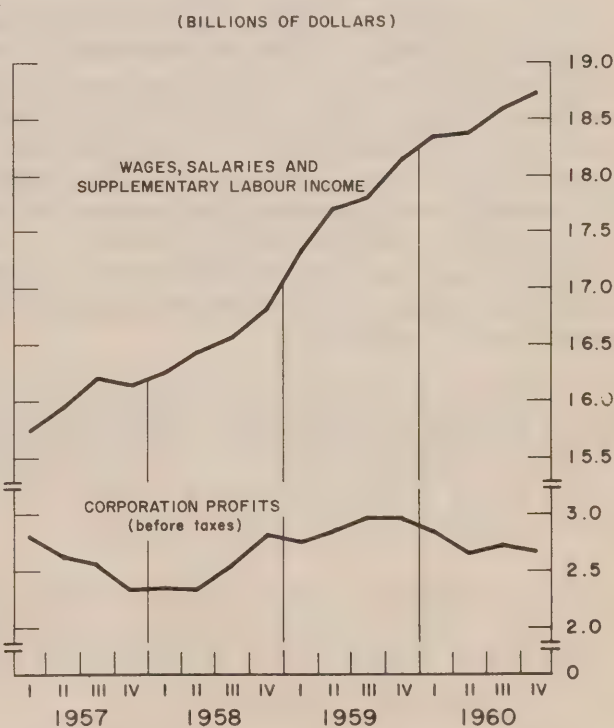
GOVERNMENT EXPENDITURE ON GOODS AND SERVICES MOVED UPWARD IN 1960, AND CONTRIBUTED AN IMPORTANT ADDITIONAL ELEMENT OF STRENGTH ON THE DEMAND SIDE



EXPORTS OF GOODS MOVED IRREGULARLY DURING THE YEAR, AND FOR 1960 AS A WHOLE AVERAGED 4 PER CENT ABOVE 1959, REFLECTING THE STRENGTH OF OVERSEAS DEMAND. IMPORTS WERE ONLY FRACTIONALLY ABOVE 1959 LEVELS. THE DEFICIT ON MERCHANDISE ACCOUNT WAS REDUCED, BUT THE DEFICIT ON SERVICES CONTINUED TO WIDEN



THE ADVANCE IN LABOUR INCOME SLOWED IN 1960, AND CORPORATION PROFITS DECLINED



(IN ALL CHARTS DATA ARE SEASONALLY ADJUSTED AT ANNUAL RATES)



## INTRODUCTORY REVIEW

(This report incorporates revisions to data for the years 1957, 1958, 1959, and the first three quarters of 1960. In large part, the revisions represent information which has become available during the past year from final tabulations of annual survey data. New information from "Taxation Statistics 1960" has also been incorporated in the figures, as well as the results of the most recent survey, "Private and Public Investment in Canada - Outlook, 1961". The "old" and "revised" Gross National Product series, by quarters, from 1957 to date, are shown in Chart form on page 22).

The advance in Gross National Product was interrupted in 1960, as the level of economic activity eased in response to downward tendencies in several components of end-product demand. During the year, the pattern of developments was highlighted by a slackening in the growth of total final purchases in the first quarter and a decline in both final purchases and in the value of production in the second quarter. Although final demand recovered in the third quarter, the renewed strength was not fully transmitted to production since the increased requirements were met, in part, by cut-backs in the inventory sector. In the fourth quarter, while both final and inventory demand were once more exerting an expansionary influence on Gross National Product, the gains were somewhat modified by a decline in external demand for Canadian export products.

These conflicting movements within the year 1960 combined to yield a level of Gross National Product for the full year which averaged about 3 per cent above the level of the year 1959. It is estimated that the physical volume of output in 1960 was about 2 per cent above that of the preceding year 1/, with final product prices higher by around 1 1/2 per cent.

The weakness in end-product demand during the year was centered in business outlays for new plant and equipment, housing construction, and consumer purchases of durable goods other than automobiles. Business outlays for plant and equipment

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1/ The figures include the value of the 1960 grain crop, which is estimated to be about 11 per cent above the year 1959.

failed to come up to the levels anticipated in the survey of investment intentions at the beginning of 1960, and for the year as a whole were slightly below 1959. Housing outlays were affected by a number of factors, among which were a sharp contraction in the lending activity of the chartered banks and Central Mortgage and Housing Corporation, and an apparent change in basic demand factors. Consumer purchases of durable goods, in turn, were affected by the lower levels of sales of major household appliances, home furnishings, and furniture, associated in part with conditions in the housing market. Cut-backs in the rate of inventory accumulation in the second quarter, and a shift to liquidation in the third quarter, were also among the factors tending to hold production in check. <sup>2/</sup> The main support to the level of activity over the course of the year came from consumer expenditures for non-durable goods and for services; from government purchases of goods and services; and from exports to overseas countries, in particular the United Kingdom and other countries of Western Europe. A perspective on these developments in terms of annual averages and in terms of the quarter-to-quarter changes during the year is given in the following two Tables.

Changes in Components of Gross National Expenditure, 1959 to 1960

	Year 1959	Year 1960	Change	Per Cent Change
(billions of dollars)				
<u>Fixed Capital Formation plus Inventories</u>				
Residential Construction .....	1.7	1.5	-0.3	-14.9
Non-Residential Construction .....	2.6	2.6	-	-0.8
Machinery and Equipment .....	2.6	2.6	-	-0.1
Inventories .....	0.3	0.3	-	
(Non-Farm Business Inventories) .....	(0.4)	(0.2)	(-0.1)	
Sub-Total .....	7.2	6.9	-0.3	-3.7
<u>Other Purchases</u>				
Consumer Expenditure .....	22.5	23.4	0.9	4.1
Government Expenditure .....	6.4	6.7	0.3	4.7
Exports .....	6.7	7.0	0.3	4.2
Sub-Total .....	35.6	37.1	1.5	4.2
<u>Total Final Purchases plus Inventory</u>				
<u>Investment (Total Supply)</u> .....	42.8	44.0	1.2	2.9
<u>Less Imports:</u> .....	-8.1	-8.1	-	0.4
<u>Gross National Expenditure (Total Production)</u> .....	34.9	36.0	1.1	3.2

Figures will not add by +0.1 or -0.1 due to rounding. Percent changes are based on unrounded data.

<sup>2/</sup> The level of demand was also affected in the first quarter by a small but unusual drop in consumer spending for non-durable goods, and by a sharp decline in exports of goods and services in the second quarter.



Quarter to Quarter Changes in Final Purchases  
(Seasonally Adjusted at Annual Rates)  
(\$ millions)

	1Q'57	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60
	to	to	to	to	to	to	to	to	to	to	to	to	to	to	to
	2Q'57	3Q'57	4Q'57	1Q'58	2Q'58	3Q'58	4Q'58	1Q'59	2Q'59	3Q'59	4Q'59	1Q'60	2Q'60	3Q'60	4Q'60
Pers. Exp. ....	316	324	52	416	280	284	480	320	156	300	332	-24	480	444	524
Govt. Exp. ....	220	92	12	92	264	104	-4	88	172	-208	60	88	132	212	92
Res. Constr. ...	12	48	96	116	136	36	76	-68	-84	-32	36	-84	-244	48	-20
Non-Res.Cons. ..	64	16	-52	-212	-4	-76	-96	-220	124	16	32	-44	-132	108	16
Mach.& Equip.....	-208	-164	-220	-40	-116	-36	88	-84	256	148	-124	52	-156	-40	152
Exports .....	-184	256	-204	4	104	-248	248	-136	404	-24	372	128	-496	492	-356
Total Final Purchases ....	220	572	-316	376	664	64	792	-100	1,028	200	708	116	-416	864	408
(Final Domestic Demand) .....	(404)	(316)	(-112)	(372)	(560)	(312)	(544)	(36)	(624)	(224)	(336)	(-12)	(80)	(372)	(764)

Quarter to Quarter Changes in Other Selected Items

"Shift" in Non-Farm Bus. Inv..	-444	76	-576	-456	460	192	32	464	-280	212	-148	372	-312	-512	284
Imports .....	-124	-112	-376	-128	-20	44	400	80	232	248	-12	4	-192	-48	96
GNP (ex. farm) ..	-20	436	-528	104	748	384	452	552	684	232	624	216	-264	244	528



The slackening in economic activity during 1960 was also reflected in changes in the direction and magnitude of the income flows. The advance in labour income during the year was little more than half as large as that achieved in 1959, and the earnings of non-farm unincorporated business enterprises declined. While total personal income was higher by 4 per cent, this compares with a gain of 6 per cent in 1959. Earnings of corporations in 1960 fell below the 1959 level by about 6 per cent, compared with a very substantial increase in the preceding twelve-month period. At the same time, the tax revenues of governments were adversely affected by the reduced flow of income to the business sector, and by the smaller rate of advance in personal incomes, with the result that total government revenues rose by a narrower margin than in 1959. The following Table shows percentage changes in the major income components for the periods 1958-1959 and 1959-1960.

Changes in Major Income Components  
Percent Change

	1958 to 1959	1959 to 1960
Wages, Salaries, and Supplementary Labour Income .....	7.5	4.2
Transfer Payments .....	4.0	13.0
Personal Income .....	6.5	4.3
Corporation Profits .....	15.4	-5.9
Rents, Interest, and Miscellaneous Investment Income .....	7.2	3.7
Net Income of Non-Farm Unincorporated Business .....	4.4	-5.1
Accrued Net Income of Farm Operators from Farm Production ...	-5.4	6.5
National Income .....	6.9	2.6

Selected Government Revenues  
(All levels of Government)

Direct Personal Taxes .....	16.5	13.2
Corporation Taxes .....	18.5	-6.0
Indirect Taxes .....	10.3	4.1

Production and Employment

Indicators of the total physical volume of output in 1960 show an advance of about 2 per cent. While both the goods and service-producing industries shared in this gain, the major contribution came from the service-producing industries. Output was up significantly in all the service components but movements in the goods-producing group diverged quite widely.

Among the primary industries, agricultural output was moderately higher in 1960, reflecting a substantially larger crop of grain of better quality, accompanied by a decline in the production of livestock and poultry, and little change in the volume of production of other farm products. While output in forestry recorded a gain of 11 per cent over 1959 (which was a strike-affected year), it remained below the record achieved in 1956.

A 1 per cent increase in mining output was the outcome of fairly small and largely offsetting movements in the four components of this industry. Output in metal mining was lower by 2 per cent, reflecting a pronounced drop in the production of uranium and a substantial decline in the output of iron ore, only partly offset by a sharp expansion in the production of nickel, copper and lead. Output in quarrying, which is closely tied to the demands of the construction industry, was down by 5 per cent. All three components, coal, petroleum and natural gas, contributed to the 5 per cent increase in output of the fuels group; the gain in coal and in petroleum was moderate but a large increase (17 per cent) occurred in output of natural gas. A 2 per cent increase in the output of the non-metals group was accounted for by expanded output of asbestos.

For the third year in succession, the volume of output declined in the construction industry. The drop of nearly 5 1/2 per cent in 1960 is associated with an estimated 17 per cent fall in the volume of residential construction and a fractional decline in the volume of non-residential construction.

A 2.3 per cent increase in the output of non-durable goods combined with a 1.7 per cent decline in durables kept manufacturing production in 1960 fractionally larger than in 1959. Most of the non-durable goods industries recorded gains, but for the most part they were small, with the important exception of chemicals, where output rose 12 per cent. A substantial decline in output occurred in rubber products and leather products, while production declined moderately in the textile industry.

Only two of the durable goods industries expanded production in 1960. The substantial (8 per cent) advance in the output of non-ferrous metal products reflected the buoyancy of overseas export demand. Production of transportation equipment was slightly higher, reflecting increased output of motor vehicles which more than offset lower production of other equipment. In the woods products industry (strike-affected in 1959), production was only slightly lower, despite weakness in the demand from the construction industry in Canada and the United States. Production of electrical apparatus and supplies fell by 2 per cent and the manufacture of both non-metallic minerals, and iron and steel products recorded drops of 6 per cent.

The volume of activity in trade was up about 1 1/2 per cent in 1960, with wholesale and retail trade showing the same rates of increase. Within retail trade movements were mixed; food chains continued their steady expansion, raising the volume of their activity by 5 per cent; gains in other trades were for the most part small. One of the more important trades recording less activity in 1960 was lumber and building material dealers which was off 10 per cent.

Output of the utilities continued to make relatively large gains in 1960. The 11 per cent increase reflects an advance of 9 per cent in the production of electricity and another major increase in the distribution of natural gas.

The volume of traffic handled by the transportation industry as a whole rose nearly 2 per cent, in spite of a 3 per cent decline in railways and in bus systems. Railway revenue carloadings show a lower volume for all major commodities except pulpwood, and ores and concentrates; the largest declines were in livestock, iron ore, building materials other than lumber and timber, and autos, trucks and parts. The other components of the transportation industry, trucking, oil pipelines, shipping, and air transport recorded gains ranging from 3 per cent in trucking to 13 per cent in air transport.



The volume of output in the communications industry continued to rise and was up 5 per cent in 1960. Likewise, in the other service-producing industries, there was a further expansion in activity, amounting to 3 per cent in financial services and of about 2 per cent in government service and in other services as a group.

The moderate increase in the volume of the Nation's production in 1960 was accompanied by a roughly equivalent gain in employment, which was up 1.7 per cent in total.

An outstanding feature of the labour market in 1960 was the continued strength of demand in those areas of employment notably trade and services, where women constitute a large proportion of the labour force, as contrasted with the weakness of demand in those areas, notably durable goods manufacturing and construction, where the work force is predominantly male. The consequence of this pattern in the demand for labour was that there was only a fractional gain in the number of men employed in 1960, in contrast to a 6 per cent increase in the number of employed women. The accompanying Table shows the distribution of employment in 1959 and 1960, by industry, and by male and female employment.

Employment by Industry - All Status Groups  
( '000's of Persons )

	Average Year 1959	Average Year 1960	Percent Change Total	Percent Change Male	Percent Change Female
Agriculture .....	692	675	-2.5	-3.0	4.2
Other Primary Industry <u>1/</u> .....	197	207	5.1	5.2	-
Manufacturing .....	1,494	1,470	-1.6	-2.1	0.3
Construction .....	442	418	-5.4	-5.3	-8.3
Transportation & Other Utilities..	520	515	-1.0	-0.7	-2.7
Trade .....	946	981	3.7	3.2	4.7
Finance, Insurance & Real Estate..	216	226	4.6	1.7	8.1
Government Service .....	349	373	6.9	6.3	8.8
Other Service <u>2/</u> .....	999	1,090	9.1	6.8	10.8
 Total Employed .....	 5,855	 5,955	 1.7	 0.2	 6.1
 Total Employed ex. Agriculture..	 5,163	 5,280	 2.3	 0.8	 6.1

1/ Includes forestry, fishing and trapping, mining, quarrying and oil wells.

2/ Includes business, personal, community and public, and recreational services.

The increase in employment in 1960 of 1.7 per cent fell somewhat short of the growth of the labour force which amounted to 2.8 per cent. Unemployment as a percentage of the labour force rose from an average of 6 per cent in 1959, to 7 per cent in 1960. Participation rates for the population 14 years of age and over rose from 53.9 per cent to 54.3 per cent, reflecting a slight decline in the male



participation rate and a considerable increase in the female participation rate. This development was associated with the relatively favourable opportunities in the market for women workers.

### Value, Volume, and Price Comparisons

The volume increase in Gross National Expenditure between 1959 and 1960 of 2 per cent compares with increases of 3 per cent between 1958 and 1959 and 1 per cent between 1957 and 1958. The average annual rate of growth for the post-war period is estimated to be about 4 per cent per year. The value, volume and price components of each of the main expenditure categories are shown in the following Table.

Percent Changes, Value, Volume and Price

	<u>Year 1960</u> <u>Year 1959</u>			<u>Year 1959</u> <u>Year 1958</u>		
	Value	Volume	Laspeyres <sup>1/</sup> Price	Value	Volume	Laspeyres Price
Personal Expenditure .....	4.1	2.9	1.2	5.8	4.3	1.3
Goods .....	3.4	2.9	0.6	4.6	4.0	0.5
Non-Durables .....	4.1	3.4	0.8	4.0	3.7	0.3
Durables .....	0.3	0.7	-0.4	7.2	5.4	1.7
Services and N.E.A. ....	5.3	2.8	2.3	7.9	4.9	2.8
Government Expenditure .....	4.7	0.9	3.5	3.9	0.6	3.0
Business Gross Fixed Capital						
Formation .....	-4.1	-6.2	2.2	-1.2	-3.5	2.9
New Residential Construction.	-14.9	-17.0	2.7	-1.6	-5.1	3.7
New Non-Res. Construction ...	-0.9	-3.1	2.4	-7.9	-10.1	2.9
New Machinery and Equipment..	-0.1	-1.8	1.7	7.1	5.2	2.4
Exports of Goods and Services.	4.2	2.7	0.7	5.3	2.1	1.8
Imports of Goods and Services.	0.4	-1.2	1.7	9.3	10.2	-0.2
Gross National Expenditure ...	3.2	2.1	1.7 <sup>2/</sup>	6.1	3.2	2.4

1/ The price comparisons shown above are based on a set of fixed weight price indexes (1955 = 100), and not upon the implicit price deflators which can be derived by dividing the value series by the volume series. The implicit deflators are weighted by changes in the expenditure pattern over time, and do not permit accurate measurements of price change. A specially constructed set of fixed weight price indexes has therefore been used for purposes of depicting price changes in the above Table.

2/ The implicit price index of G.N.E. in 1960 shows a price increase of 1.1 per cent over 1959. Most of the difference between the implicit index and that shown above is explained by a large increase in the weight of farm and GICC inventories in 1960. A set of low price relatives is associated with these inventories, and the increase in their weight in 1960 has the effect of reducing the level of the total implicit price index.

Final product prices drifted upward slightly between 1959 and 1960, with the aggregate increase being about 1 1/2 per cent. This is the smallest year-over-year price increase for any year since 1955, when the increase was 1.3 per cent, and compares with an average annual price rise of 2.5 per cent for the years 1956 to 1960. The increase in the price of consumer goods and services was small, and was virtually unchanged from that which occurred between 1958 and 1959. The prices of both capital

goods and exports showed a more moderate advance in the current period than between 1958 and 1959. Prices of imported goods, however, which declined fractionally in 1959, rose somewhat in 1960, reflecting, in large part, a lower rate of exchange on the Canadian dollar.

#### The Fourth Quarter

The small increase in Gross National Product, seasonally adjusted, in the third quarter was followed in the fourth by a somewhat larger advance. Total production of goods and services rose by more than 1 1/2 per cent. The figures contain a considerable element of price change (particularly in the consumer sector, where food prices rose irregularly), so that the volume gain is estimated to be only about half as large as that indicated by the value figures. Final demand continued to expand, although the increase was moderate, being affected by a drop in external demand for Canadian export products to the United States. However, developments in the inventory sector contributed to the rising level of end-product demand, as business inventories shifted from liquidation in the third quarter to a modest rate of accumulation in the fourth.

Consumer expenditures rose sharply in the fourth quarter, following a rather weak third quarter. A major element of strength was in the durable goods component, which rose by 12 per cent, reflecting a favourable response to the 1961 automobile models, and more moderate increases in sales of appliances and radios, home furnishings, and furniture. Consumer outlays for both non-durable goods and for services were also higher, by approximately 1 per cent. With the advance in total consumer spending exceeding the rise in disposable income by a substantial margin, the rate of personal saving declined in the fourth quarter.

Business outlays for plant and equipment increased in the fourth quarter, as machinery and equipment investment turned upward following a prolonged period of weakness. The increase appears to have been concentrated in agricultural implements and in commercial vehicles, though imports of aircraft were also unusually high during the quarter. Outlays for new non-residential construction showed little change in the fourth quarter. The recent survey of investment intentions does not suggest that business outlays for new plant and equipment will provide any element of increasing strength through 1961.

Business inventories contributed to the strength of end-product demand in the fourth quarter, shifting from liquidation in the third to a modest rate of accumulation in the fourth. Manufacturers' stocks, which were being drawn down quite heavily in the third quarter, were reduced more moderately in the fourth, while stocks held by wholesalers moved from liquidation to a small rate of accumulation. With consumer expenditures showing a strong advance in the fourth quarter, the rate of accumulation of stocks held at retail fell to about half of the third quarter rate.

The 5 per cent decline in exports of goods and services in the fourth quarter followed a gain of 7 per cent in the third. The lower level of commodity exports reflected mainly lower shipments of iron and its products (which had been at an unusually high level since the fourth quarter of 1959), moderately lower shipments of non-ferrous metals and products, and considerably lower shipments of animal products. With a small increase in imports, the small third quarter surplus on commodity account again gave way to a deficit in the fourth quarter.



Both receipts and payments on service account fell in the fourth quarter, receipts by considerably more than payments. However, the over-all deficit on both goods and services rose from \$0.9 billion to \$1.3 billion.

These changes in the pattern of the Nation's expenditure in the fourth quarter were accompanied by an advance of close to 1 per cent in goods' production, and a more moderate advance in the service-producing industries. In manufacturing, the gain was 1.3 per cent. However, production declined in forestry, mining, quarrying and oil wells, public utilities, and in transportation, communication and storage. Within manufacturing, while the major part of the increase in output represented widespread gains in the non-durable goods industries, all of the durable goods industries also recorded advances, with the exception of electrical apparatus and supplies and non-ferrous metal products.

Developments on the income side in the fourth quarter included a small gain in labour income, a minor decline in corporation profits, and advances in other forms of investment income and in income of farm operators from farm production. Net income of non-farm unincorporated business remained unchanged. National income as a whole was higher by close to 1 1/2 per cent.

#### Personal Expenditure on Consumer Goods and Services

While consumer spending rose somewhat more than consumer disposable income in 1960, it failed to match the gains of the two preceding years. The increase in 1960 amounted to 4 per cent, which compares with nearly 6 per cent in 1958 and 1959. Whereas in these two years, and in 1959 particularly, the market for consumer durables expanded, in 1960 there were important areas of weakness and spending on durables showed only a fractional gain. At the same time, expenditure on non-durable goods rose about 4 per cent, the same rate of increase as in 1959, while expenditure on services rose by more than 5 per cent, compared with a gain of nearly 8 per cent in the preceding year.

Of the increase in total consumer spending in 1960, somewhat more than 1 per cent is accounted for by higher prices in the consumer sector, the smallest rate of increase in recent years. Services continued to account for the major part of the advance in consumer prices; prices of non-durables were somewhat higher while prices of durables edged downward. The approximately 3 per cent rise in real consumption represents a gain of about 1 per cent in per capita terms.

#### Consumer Expenditure

##### Percent Change

	Year 1958 to Year 1959	Year 1959 to Year 1960
Food .....	4.5	3.0
Clothing .....	4.0	2.2
Other .....	3.4	6.5
Total Non-Durables .....	4.0	4.1
Appliances and Radios .....	3.7	-4.1
Home Furnishings and Furniture .....	5.1	-2.9
Autos (New and Used) .....	9.3	3.5
Other .....	9.2	0.7
Total Durable Goods .....	7.3	0.3
Total All Goods .....	4.6	3.4
Total Services .....	7.9	5.3
Total Personal Expenditure .....	5.8	4.1
(Goods and Services)		



Consumer purchases of most major categories of non-durables rose in 1960, food purchases by 3 per cent, clothing by 2 per cent, and alcohol and tobacco by 3 1/2 and 5 1/2 per cent respectively. The increase in expenditure on non-durables as a group represented a gain of about 1 per cent in real per capita consumption.

All components of services contributed to the 5 1/2 per cent advance in expenditure. The sharpest rate of increase was for hospital and medical care, which rose by 9 per cent.

Among the durables, an increase of 3 1/2 per cent in purchases of new and used cars was almost offset by lower expenditures for virtually all other durables. Statistics of factory shipments of household durables were in general either unchanged or considerably lower. For example, shipments of washers were down 10 per cent, of electric stoves 12 per cent, of radios 10 per cent and of television sets 16 per cent. On the other hand, there was an increase of over 60 per cent in shipments of home freezers. The widespread weakness in the demand for household durables is probably related in part to the much reduced level of activity in housing.

A 7 per cent increase in the sale of new passenger cars to persons in 1960 compares with one of 10 per cent in the preceding year. As in 1959, the rise in sales of British and European cars was large relative to the increase in sales of North American cars, although the disparity was less marked in 1960. Sales to persons of British and European cars were up nearly 20 per cent and sales of North American cars less than 5 per cent.

With consumer outlays higher by 4 per cent in 1960 and disposable income showing a smaller gain of 3.5 per cent, the rate of personal saving fell. In 1959, personal saving amounted to 7.2 per cent of disposable income, in 1960, to 6.7 per cent.

#### Business Gross Fixed Capital Formation

Business gross fixed capital formation is estimated at \$6.6 billion in 1960, some 4 per cent lower than in 1959. The decline was centered in residential construction. Expenditures on plant and equipment were close to the level of the previous year, with the construction component slightly lower and the machinery and equipment component unchanged.

The changes in business investment outlays (excluding housing) by major industry groups were for the most part fairly small. Expenditures were higher in the three primary industry groups of mining, forestry and agriculture. In manufacturing, outlays rose by 4 per cent, and in institutional services, by over 7 per cent. Capital outlays declined in the construction industry, in trade, finance, insurance and real estate, as well as in commercial services. However, the major decrease in 1960, amounting to nearly 5 per cent, occurred in the large investment programme being carried on by the utilities.

Within manufacturing industries, changes in capital outlays were mixed and to some extent offsetting. The manufacturing industries reporting substantially larger capital outlays in 1960 were iron and steel, paper products and chemical products. On the other hand, capital expenditures in transportation equipment and in non-metallic mineral products were considerably lower than in 1959.

Most of the utilities carried out smaller capital programmes in 1960 than in 1959. Among the major utilities, much the largest reduction took place in outlays by the railway group. The outlays of electric power utilities were considerably lower than in 1959 and much below the extremely high levels reached in several

previous years. Among the major utilities, expenditures by the telephone industry were considerably higher, as were those of "other utilities" (a miscellaneous group which includes air transport, warehousing, oil and gas pipelines and toll highways and bridges); this increase is attributable to higher expenditures on aircraft and on the construction of gas and oil pipelines.

Expenditures on residential construction in 1960 fell to \$1,476 million, a drop of 15 per cent from the level of 1959. While housing starts made a marked improvement in the second half of the year, at about 109,000 units for the year as a whole, they were almost 23 per cent lower than in 1959 and the lowest since 1953. The decline in starts mainly reflected the sharp contraction in direct lending by the chartered banks and by Central Mortgage and Housing Corporation, offset to some extent by the expansion in lending activity by the life, loan and trust companies under the National Housing Act. (The chartered banks had virtually withdrawn from the mortgage market). Basic demand for housing may also have been affected by lower levels of family formation in recent years. With a substantial carry-over of uncompleted houses at the beginning of the year, completions in 1960 fell only 15 per cent.

The improvement in housing starts in the course of 1960 is attributable to a number of factors. During the course of the year Central Mortgage and Housing Corporation began to accept applications for loans and steps were taken to remove or relax restrictions on direct lending. Moreover, as credit conditions eased, mortgage lending became more attractive to approved lenders and, as mentioned earlier, the life, loan and trust companies began to lend in volume.

Total Mortgage Loans Approved  
(Dwelling Units)

	<u>1959</u>	<u>1960</u>	<u>Percent Change</u>
<u>National Housing Act Mortgage Loans</u>			
Chartered Banks .....	14,844	89	-99.4
Life, Trust, Loan, etc. ....	11,841	21,724	83.5
C.M.H.C. Loans .....	<u>34,241</u>	<u>15,932</u>	<u>-53.5</u>
Sub-Total .....	60,926	37,745	-38.0
<u>Conventional Mortgage Loans</u>			
All Lending Institutions .....	<u>46,882</u>	<u>42,164</u>	<u>-10.1</u>
Total .....	<u>107,808</u>	<u>79,909</u>	<u>-25.9</u>

Total Non-Farm Business Inventories

The build-up of goods in inventory in 1960 continued at a rate very little changed from the previous year, in comparison with the large-scale swings in the rates of change which occurred between 1957-58 and 1958-59. However, this annual comparison conceals the important impact which shorter run changes in business inventories had on production during 1960. As the rate of over-all economic activity weakened early in the year, the pronounced rate of inventory accumulation evident in the first quarter fell sharply in the second quarter, and by the third quarter of 1960 some liquidation of stocks was taking place. During the final three months



of the year, however, developments in the inventory sector were once more placing new demands on production, and a limited build-up of stocks occurred.

	1957	1958	1959	Quarters (Seasonally Adjusted at Annual Rates)				1960
				(1)	(2)	(3)	(4)	
Manufacturing .....	140	-146	118	304	216	-188	-68	66
Wholesale .....	71	-53	85	88	36	-100	36	15
Retail .....	27	10	125	248	112	220	116	174
Other .....	67	-18	23	8	-28	-108	24	-26
Total .....	305	-207	351	648	336	-176	108	229

### Manufacturers' Stocks

The data suggest that some of the fairly heavy build-up of stocks in manufacturers' hands in the first half of the year was involuntary, occurring against a background of falling shipments and a rapidly contracting backlog of unfilled orders. Although stocks at all levels of fabrication increased, the accumulation was most marked in finished goods, suggesting that cut-backs in production were not sufficient to offset falling demand. The accumulation in the first two quarters of the year was widespread, although in the second quarter it was tempered by a substantial drawing down of stocks in the tobacco and paper industries.

The second half of the year was marked by a general lowering in the level of manufacturers' stocks. As shipments began to rise there was a working down of the level of raw materials and goods in process. Stocks of finished goods, after eight months of uninterrupted increase, finally levelled off and in the last two months of the year contracted; in spite of this, in certain durable goods industries the ratio of finished goods to shipments remained at a high level in comparison with past periods.

In contrast to the slow-down in the rate of liquidation in overall manufacturing, the rate of liquidation in durable goods increased between the third and fourth quarters. The primary cause of this was the heavy drawing down of stocks in the iron and steel industry, supported by continued liquidation in both the transportation and electrical equipment industries. The impact of these depletions was to some extent offset by an increased rate of accumulation in non-ferrous metal products.

Inventory movements of non-durables exerted a moderating influence on the pace of liquidation of total manufacturers' stocks, as an irregularly high build-up of stocks in the tobacco industry and some additions to food and beverage stocks took place. The increase in the tobacco industry appears to be due to an earlier than normal processing of the unusually large crop in 1960.

### Traders' Stocks

The build-up in retailers' stocks which has now been under way since the early part of 1958, continued at an increased rate in 1960, although the rate of increase slackened noticeably in the second and fourth quarters. The dominating features of the year were: (1) the steady increase of stocks in motor vehicle dealers hands until the fourth quarter, at which time a marked increase in sales caused a small drop in the level of stocks; (2) the accumulation of food stocks, which was heavy in the first and last quarters; and (3) the "swing" in clothing



stocks, which increased in the first and third quarters, and were drawn down heavily in the second and fourth. The broad movements in retail stocks in 1960 conform closely to the overall pattern of changes in consumer spending. Consumer spending fell slightly in the first quarter and increased only fractionally in the third quarter, at which time retail stocks rose sharply; in the second and fourth quarters, when consumer spending advanced strongly, retail stocks rose at a more modest rate.

Stocks in the hands of wholesalers, after increasing in the first two quarters, fell in the third in line with the general lowering which took place in manufacturers' stocks. The liquidation was widespread and in a number of trades continued into the fourth quarter; however, it was offset in part in the fourth quarter by the sharp increases in stocks of industrial machinery and equipment, and hardware and other furnishings, both of which may have reflected the upturn in fixed investment in machinery and equipment and the improved outlook for building, particularly residential construction.

### Exports and Imports of Goods and Services

The dominant feature of the international trading environment in 1960 was the vigorous expansion in the economies of a number of industrialized overseas countries and the hesitant behaviour of the North American economy. In this situation, Canadian exports of goods and services rose to \$7.0 billion, a gain of 4.2 per cent over 1959, with the bulk of the increase accounted for by the merchandise items. At the same time, the demand for imports was on a declining trend throughout most of the year and for 1960 as a whole merchandise imports showed little change from 1959. The outflow of payments on service account, however, continued to rise, but more moderately than in earlier years. The consequence of these trends was a contraction in the deficit on Canada's current account (on the National Accounts basis), from about \$1.4 billion in 1959 to \$1.2 billion in 1960.

The strong demand for Canadian export products originating in the countries of Western Europe, the United Kingdom, and in some other overseas countries, notably Japan and Australia, raised exports to overseas destinations by 20 per cent. This increased strength of demand became evident in the latter part of 1959 and persisted throughout 1960. By contrast, exports to the United States were about 5 per cent lower for the year as a whole, and showed a declining trend within the year. The abrupt change in the direction of export trade within a rising total in the year 1960 is apparent in the accompanying Table.

The largest part of the increased demand was for major export staples of primary and semi-processed materials, but there were also gains in some manufactured goods, particularly in the United Kingdom where restrictions on many imports had been removed. Some of the largest gains occurred in such metals as aluminum, copper, nickel, zinc, primary steel and rolling mill products, and in asbestos and petroleum. Other leading exports such as pulp and paper, lumber, and chemicals also rose, but iron ore showed little change. Textiles and non-farm machinery are among the manufactured goods making impressive gains. By contrast, agricultural exports dropped, including wheat, other grains and flour, and cattle and dairy products. Shipments of fish, farm implements and uranium were also lower. The change in the commodity composition of exports is shown in the accompanying Table.

<u>Domestic Exports</u> <u>Percent Change</u>					
	<u>1Q'60</u> <u>1Q'59</u>	<u>2Q'60</u> <u>2Q'59</u>	<u>3Q'60</u> <u>3Q'59</u>	<u>4Q'60</u> <u>4Q'59</u>	<u>Year 1960</u> <u>Year 1959</u>
<u>Leading Commodities</u>					
Newsprint Paper .....	16.9	-1.1	5.0	2.3	4.9
Wheat .....	-0.9	-30.6	3.6	4.2	-7.1
Lumber and Timber .....	18.3	-4.5	12.4	5.7	7.0
Wood Pulp .....	9.8	1.3	2.3	4.9	4.5
Uranium Ore .....	7.0	-21.7	-19.8	-26.0	-15.5
Aluminum and Products .....	75.6	9.0	-2.6	3.0	15.9
Nickel .....	88.1	-4.0	12.9	-11.1	13.9
Copper and Products .....	134.5	20.4	42.5	-5.8	34.8
Fish and Fishery Products .....	-13.8	-6.0	2.1	-10.2	-6.6
Farm Machinery and Implements .....	-16.2	-29.8	-16.7	-41.8	-25.5
Total Domestic Exports .....	22.9	-2.9	7.5	-3.3	4.9
<u>Leading Countries</u>					
United States .....	18.3	-10.1	-4.7	-16.7	-4.8
United Kingdom .....	29.3	13.6	19.4	7.4	16.5
European Common Market Countries .....	36.8	19.7	50.5	44.8	38.9
Japan .....	61.0	2.6	26.7	26.2	27.4
Other .....	22.7	1.5	25.4	12.7	14.8
Total Domestic Exports .....	22.9	-2.9	7.5	-3.3	4.9

While total receipts from services rose moderately in 1960, the individual items in the invisible account showed mixed movements. Receipts from tourist trade rose considerably and there was some increase in gold available for export. However, receipts from freight and shipping were somewhat lower, as were receipts from interest and dividends. The decline in the latter largely reflects lower dividends from foreign subsidiaries of certain Canadian manufacturing companies.

With no expansion in outlays for new plant and equipment in 1960, and a drop in the rate of investment in business inventories, commodity imports eased a little, declining by about one-half of 1 per cent. The relative stability in the total was accompanied by stability in most of the major groups. Increases were generally small and confined to comparatively few items, some of which were affected by special circumstances. Among the increases were such varied items as vegetables, cotton and textiles, iron ore, crude petroleum, automobiles and aircraft. Reductions were more numerous and often small, although the drop in petroleum products, tractors, and agricultural implements was comparatively large. Imports of other kinds of equipment remained high.

Payments for services continued to rise in 1960 and were about 2 per cent higher than in the previous year. Virtually all the increase was in two items of the account, tourist expenditures, and miscellaneous services. Payments of interest and dividends in total remained about the same. The large net sales of provincial, municipal and corporation bonds in 1959 and the first half of 1960



raised significantly the level of interest payments. On the other hand, dividend payments declined. This decline, which was concentrated in the closing quarter of the year, reflected smaller remittances by a number of large Canadian companies to their non-resident parents.

### The Government Sector

Government expenditure on goods and services in 1960 is estimated at \$6.7 billion, 5 per cent higher than in 1959. All of this increase in outlays is attributable to the junior governments; Federal Government expenditures were moderately lower. The major part of the 13 per cent advance in provincial government expenditures represented higher outlays on highways, although a variety of other provincial activities in the fields of public works, development, health and education also contributed. Municipal outlays likewise showed a substantial gain, estimated at 10 per cent, and attributable to increased wages and salaries and higher capital outlays.

While Federal defence expenditures were almost unchanged, outlays for other purposes were substantially lower. This decrease reflects, among other things, a lower level of capital investment, a liquidation of stocks held by the Agricultural Stabilization Board and lower out-payments from the Colombo Plan Fund.

Transfer payments from governments to persons in 1960 were higher than in 1959 by 13 per cent. A large part of the 11 per cent advance in Federal transfer payments was accounted for by higher unemployment insurance payments (+\$75 million), reflecting not only an increase in unemployment levels, but also amendments to the Unemployment Insurance Act, introduced in the course of 1959, which extended the duration of benefits and increased rates of benefit for some classes of insured persons. There was also a considerable increase in payments to Western grain producers (+\$38 million) and to universities (+\$29 million). Old age security payments and family allowances continued to rise by amounts of about \$15 million each.

At the provincial level, transfer payments also showed a sharp advance in 1960, amounting to 18 per cent over the previous year. Among the contributing factors here were higher payments for direct relief, increases in payments to disabled persons and old age and blind pensioners, and higher grants to hospitals, universities and charitable organizations.

	1959	1960	Percent Change
	(billions of dollars)		
<u>Government Expenditure</u>			
Goods and Services .....	6.4	6.7	4.7
Transfer Payments to Persons .....	2.8	3.1	13.0
Interest on Public Debt .....	0.9	1.0	11.1
Subsidies .....	0.2	0.2	18.2
Total <u>1/</u> .....	10.3	11.1	7.7
<u>Government Revenue</u>			
Direct Taxes - Persons .....	2.1	2.4	13.2
Direct Taxes - Corporations .....	1.5	1.4	-6.0
Withholding Taxes .....	0.1	0.1	6.9
Indirect Taxes .....	4.4	4.6	4.1
Investment Income .....	1.0	1.1	6.7
Employer-Employee Contributions .....	0.6	0.7	13.9
Total <u>1/</u> .....	9.8	10.3	5.4
Deficit .....	0.5	0.8	50.9

Note: Figures will not add by +.1 or -.1 due to rounding. Percentage changes are based on unrounded data.

1/ Excludes inter-government transfers.



These changes on the expenditure side of the government accounts, together with higher interest payments on the public debt and increased subsidies, brought about an increase in total net government outlays of about 8 per cent. At the same time, government revenues rose by 5 per cent reflecting increases in personal direct taxes (associated with higher rates effective for the whole year), and increases in indirect taxes from higher excise taxes at the Federal level and from increased real property taxes at the municipal level. Investment income and employer and employee contributions to social insurance and government pension funds also increased substantially. However, a substantial drop occurred in corporation taxes and there was a small decline in custom import duties. With total government revenues higher by 5 per cent, and expenditures higher by 8 per cent, the overall deficit on government transactions (on the National Accounts basis) widened to \$0.8 billion. In the final quarter of the year, it is estimated that the deficit for all governments combined was running at a seasonally adjusted annual rate in excess of \$1.0 billion.

### Labour Income

Labour income continued to rise in 1960, but at a significantly lower rate than in the preceding year. The gain of 4 per cent contrasts with one of almost 8 per cent in 1959. Associated with this advance in income in 1960 was a nearly 2 1/2 per cent increase in the number of employed paid workers and higher average hourly earnings in many industries.

Most of the major industries shared in the advance in total labour income in 1960. The important exceptions are construction, mining and transportation where income was either unchanged or slightly lower; in all these industries the level of employment declined significantly in 1960.

The largest gain in labour income (13 per cent) was recorded in forestry, but about two-thirds of this is attributable to the sharp temporary drop in income in 1959 during the industrial dispute in the woods industry in British Columbia. As in the recent past, the gains in the service industries were relatively large; the increase in services other than government was 10 per cent and in government service 7 per cent. In public utilities, communications, trade and financial services the advance in labour income ranged from about 3 1/2 to about 5 1/2 per cent. In general, these gains continue to be associated with increased employment in these industries.

Despite a small decline in employment in manufacturing and some reduction in hours of work of hourly rated employees, labour income in manufacturing in 1960 was up from 1959 by about 2 per cent, as average hourly earnings continued to rise. Most of the loss of employment was concentrated in the durable goods group where earnings on the average are substantially higher than in the non-durable goods group. Thus the distribution of manufacturing employment in 1960 compared with 1959 was among the factors dampening down the rise in income.

### Corporate Profits and Other Investment Income

Reflecting the partially offsetting influences present in the economy in 1960, corporate profits fell by about 6 per cent, following a considerable advance in the more expansionary climate of the previous year.

A lower level of profits was a fairly common experience among industries. However, there was a substantial increase in profits in mining, quarrying and oil wells and in financial services as well as a significant gain in public utilities.

Most of the individual manufacturing industries shared in the unfavourable profits experience of the group as a whole, with total manufacturing profits down by about 11 per cent. Among the major manufacturing industries, the sharpest decline took place in iron and steel, where profits were off about 24 per cent; this decline was associated with reduced output in the industry. The deterioration in profits was also relatively large in such other durable goods industries as wood products, electrical apparatus and supplies and non-metallic mineral products. On the other hand, profits were moderately higher in paper products and in products of petroleum and coal where production likewise rose between the two years.

In spite of a significant increase in the volume of trade, profits were substantially lower in both wholesale and retail trade, apparently associated with higher costs and the easing in some prices. A small decline in profits in the transportation, communication and storage group was in part the result of the smaller volume of traffic handled by the railways.

Rent, interest and miscellaneous investment income rose by close to 4 per cent in 1960. Net residential rents (paid and imputed) are estimated to have fallen; the rise in unit rents and the growth in the stock of dwellings were more than offset by higher operating expenses. In spite of a larger deficit on the operations of the Canadian National Railways, and a small deficit on the operations of Trans-Canada Airlines, the first in many years, profits of government business enterprises rose by 7 per cent in 1960.

#### Net Income of Unincorporated Business

Accrued net income of farm operators from farming operations in 1960 is estimated at \$1.2 billion, about 6 1/2 per cent higher than in the preceding year. While cash income was slightly lower, the increase in the value of farm inventories at year-end raised gross income. Farm operating expenses and depreciation continued to rise but not enough to offset the advance in gross income.

According to the preliminary estimate, the crop of grain in 1960 was about 11 per cent larger than in the previous year. Most of this increase is reflected in inventories rather than in sales.

Livestock production showed a small decline in 1960. Increased cash income from the sale of cattle and calves partly offset the reduced income from the sale of hogs. Higher inventories at year-end reflect the further build-up of the cattle population, which more than compensated for reduced hog numbers.



	1959	1960	Change 1960 1959	Percent Change 1960 1959
	(\$ millions)			
Farm Cash Income .....	2,789	2,780	-9	-0.3
Income in Kind .....	344	348	4	1.2
Farm Inventory Change .....	-65	17	82	
Gross Income ..	3,068	3,145	77	2.5
Deduct:				
Farm Operating Expenses .....	1,588	1,595	7	0.4
Depreciation .....	292	298	6	2.1
Add:				
Adjustment on Grain Transactions ....	-4	6	10	
Other Adjustments .....	-52	-51	1	
Accrued Net Income of Farm Operators.	1,132	1,207	75	6.6

Estimated at \$2.1 billion, income of non-farm unincorporated business was lower than in 1959 by 5 per cent. Income in construction and retail trade dropped sharply, but there was some offsetting increase in income in the service industries.

#### National Savings and Investment

Following a fairly substantial increase in 1959, gross national saving declined moderately in 1960. Estimated at \$5.8 billion, it was more than 2 per cent lower than in the preceding year, and represented 16 per cent of Gross National Product, as compared with 17 per cent in 1959. The drop in national saving reflects the larger government deficit, referred to earlier; a moderate decline in personal saving offset a small increase in business saving.

	1959	1960	Change 1959 to 1960
	(billions of dollars)		
Personal Saving .....	1.8	1.7	-0.1
Business Saving .....	5.1	5.1	-
Government Deficit .....	-0.5	-0.8	-0.3
Inventory Valuation Adjustment .....	-0.1	-0.1	0.1
Residual Error of Estimate .....	-0.2	-0.1	0.1
Gross National Saving ....	6.0	5.8	-0.1
Business Gross Fixed Capital Formation .....	6.9	6.6	-0.3
Change in Inventories .....	0.3	0.3	-
Net Foreign Investment .....	-1.4	-1.2	0.2
Residual Error of Estimate .....	0.2	0.1	-0.1
Gross National Investment.	6.0	5.8	-0.1

\* Figures will not add by +.1 or -.1 due to rounding.

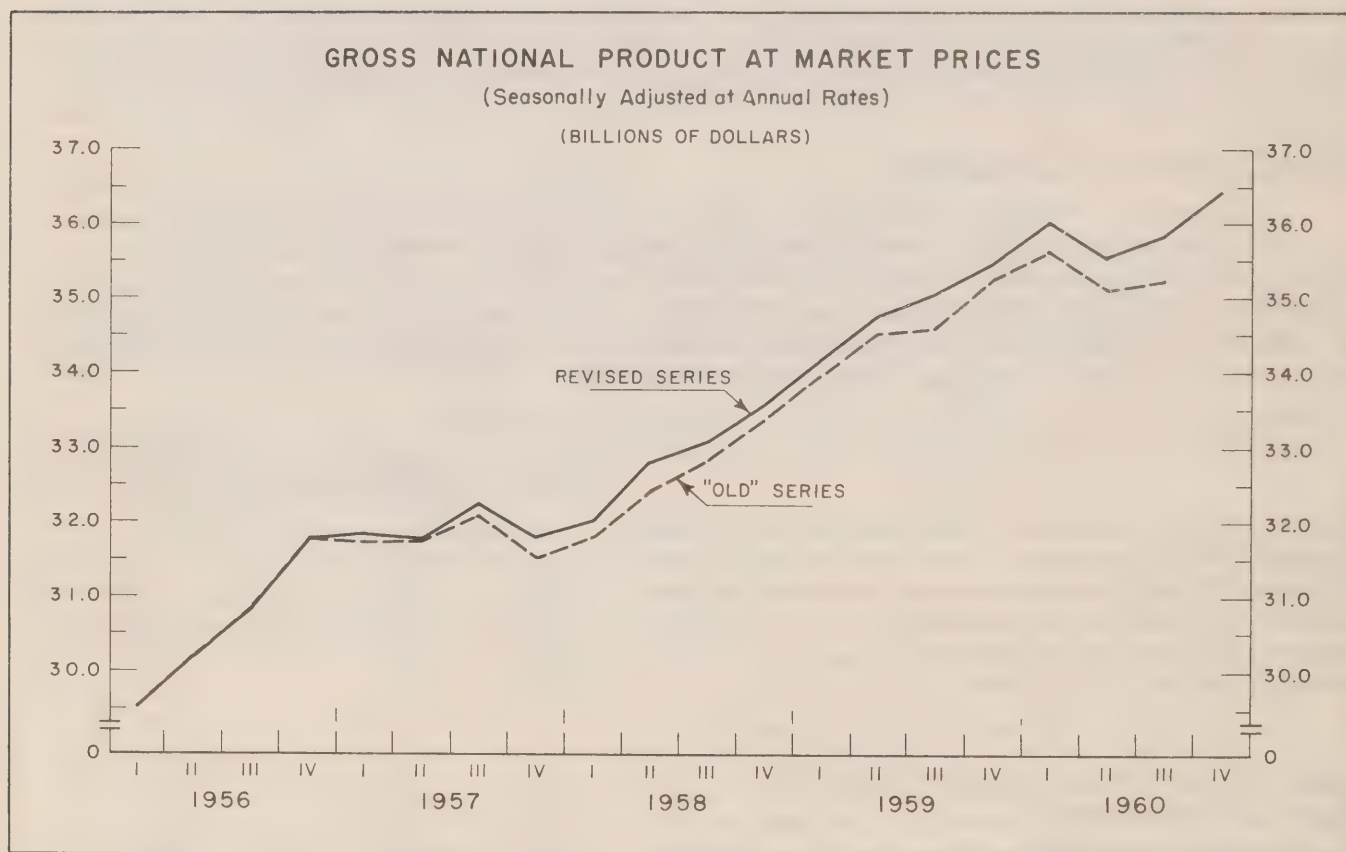


The programme of fixed investment in plant and equipment and housing was somewhat lower in 1960 and the rate of investment in inventories largely unchanged. As in previous years, part of the total investment programme was financed by resources from abroad, to the extent of \$1.2 billion, compared with \$1.4 billion in 1959.

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In order to obtain a complete historical record of the quarterly National Accounts, the following publication should be consulted:-

"National Accounts, Income and Expenditure, by Quarters, 1947-1957", for the years 1947-1954.



STATISTICAL APPENDIX

Government Revenue and Expenditure Account  
1950 - 1960  
By Quarters

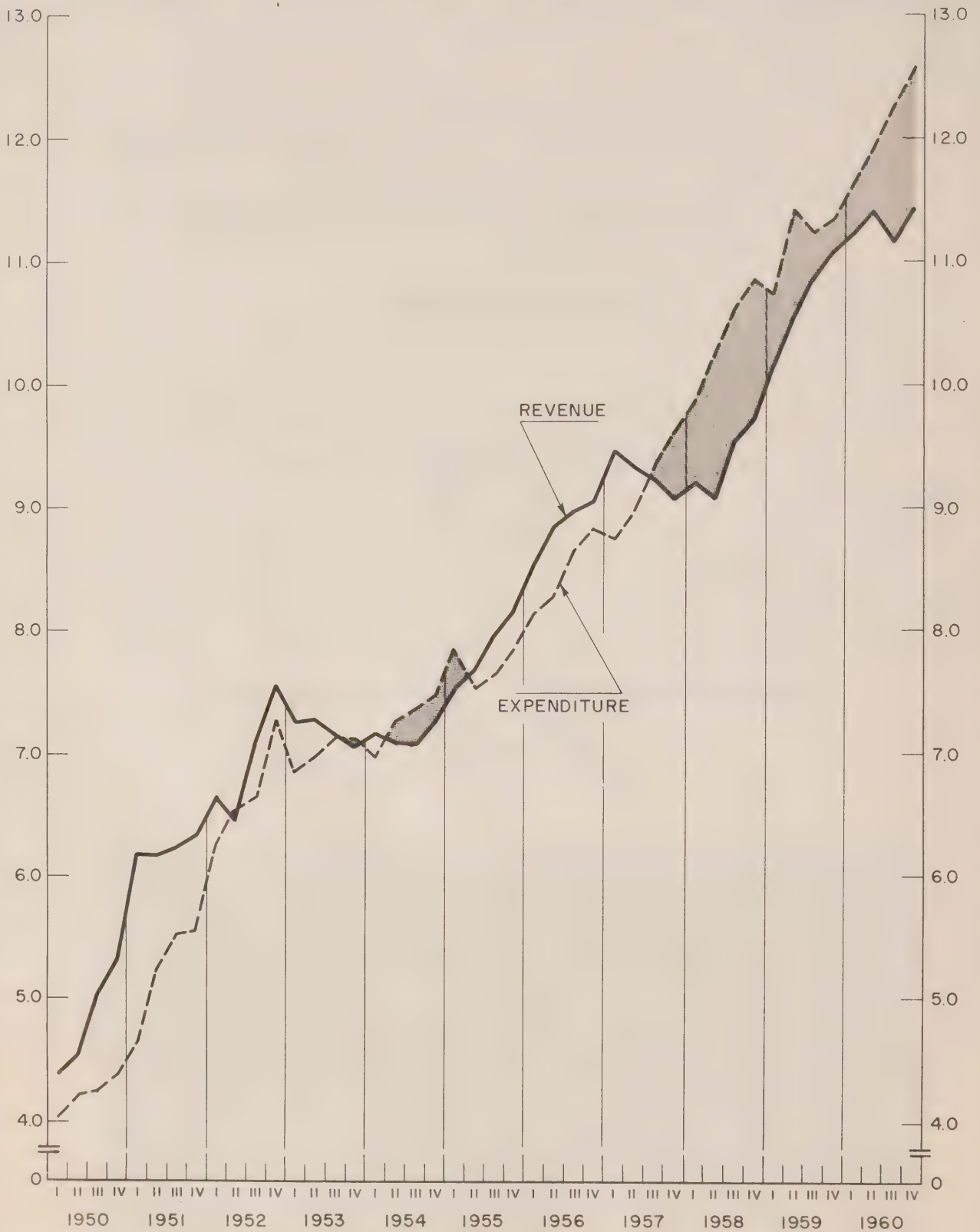
National Saving Account - Source and Disposition  
1950 - 1960  
By Quarters

ADDENDUM TO PAGE 23

"STATISTICAL APPENDIX"

The tabular material referred to here is carried on pages  
48 to 79 of this report.

GOVERNMENT REVENUE AND EXPENDITURE, BY QUARTERS, 1950-1960  
(Seasonally Adjusted at Annual Rates)  
(BILLIONS OF DOLLARS)





The statistical material on government revenues and expenditures by quarters, included in this Appendix, has been developed in the Public Finance and Transportation Division of the Dominion Bureau of Statistics. The availability of quarterly data on the surplus or deficit position of the government sector has in turn made it possible to prepare quarterly estimates of the source and disposition of the Nation's total saving. Thus, two new sets of statistical information (which correspond to the Government Revenue and Expenditure Account, and the National Saving Account in the annual National Accounts reports), are now available to round out the tabular data carried in the quarterly reports. The material is presented on both an unadjusted and on a seasonally adjusted basis.

The user should note that the Table on government revenues and expenditures brings together in one statement and under uniform headings, the activities of all governments in Canada on a quarterly basis. The Table is designed to include only those transactions which have relevance for the National Accounts and consequently the surpluses or deficits shown here differ from those shown in the conventional budgetary accounting statements issued by the various public authorities. For example, government expenditures are defined to exclude certain transactions such as those relating to reserves, write-offs, amortizations, and other similar items as well as the purchase of land and existing capital assets; on the other hand, they include the transactions of extra-budgetary funds, such as unemployment insurance, old age security, workmen's compensation, and government pension funds. Government loans and investments, and debt retirement are excluded. On the revenue side, corporation taxes have been adjusted to an accrual basis in the Federal Accounts, and investment income earned on extra-budgetary accounts is included with total revenue. For a fuller description of the government sector as defined for National Accounts purposes, see page 126 to 129 of the reference document, "National Accounts, Income and Expenditure, 1926-1956".

A word should be added concerning the quality of the quarterly estimates of government revenue and expenditure. At the Federal level, the data are almost as reliable as the annual estimates published in the regular annual National Accounts reports; the figures are based on official records of the Comptroller of the Treasury and on accounting statements of a number of other government agencies. At the provincial level, the data for current years are based, in the main, on quarterly returns submitted by nine of the provinces to D.B.S. The figures are, therefore, of a fairly high order of accuracy. These provincial returns are reconciled each year to official public accounts totals when these become available.

At the municipal level, the quality of the present quarterly data is less satisfactory. Annual data can be estimated fairly accurately from the published reports of the various provincial Departments of Municipal Affairs, and from a highly reliable survey of municipal governments for current years where provincial annual reports are not yet available. Annual real property taxes, the main source of revenue, are distributed in equal amounts to each quarter, while expenditures are allocated primarily on the basis of provincial quarterly distributions. Since the quarterly data at the municipal level are considerably weaker than for the other two levels of government, the municipal figures are not shown separately, but are incorporated in a total for both provincial and municipal governments combined.

Despite the deficiencies, it is felt that the material presented here provides a useful overall view of changes taking place in the revenue and expenditure flows of the government sector of the economy. As the Chart on page 24 shows, the swings in the deficit or surplus position of the government sector are large, and have in the past amounted to as much as \$1.5 billion (at annual rates) in the course of a single twelve-month period. Changes of this magnitude have an important effect on the composition of the Nation's saving, and on the flows of income between the public and private sectors of the economy.

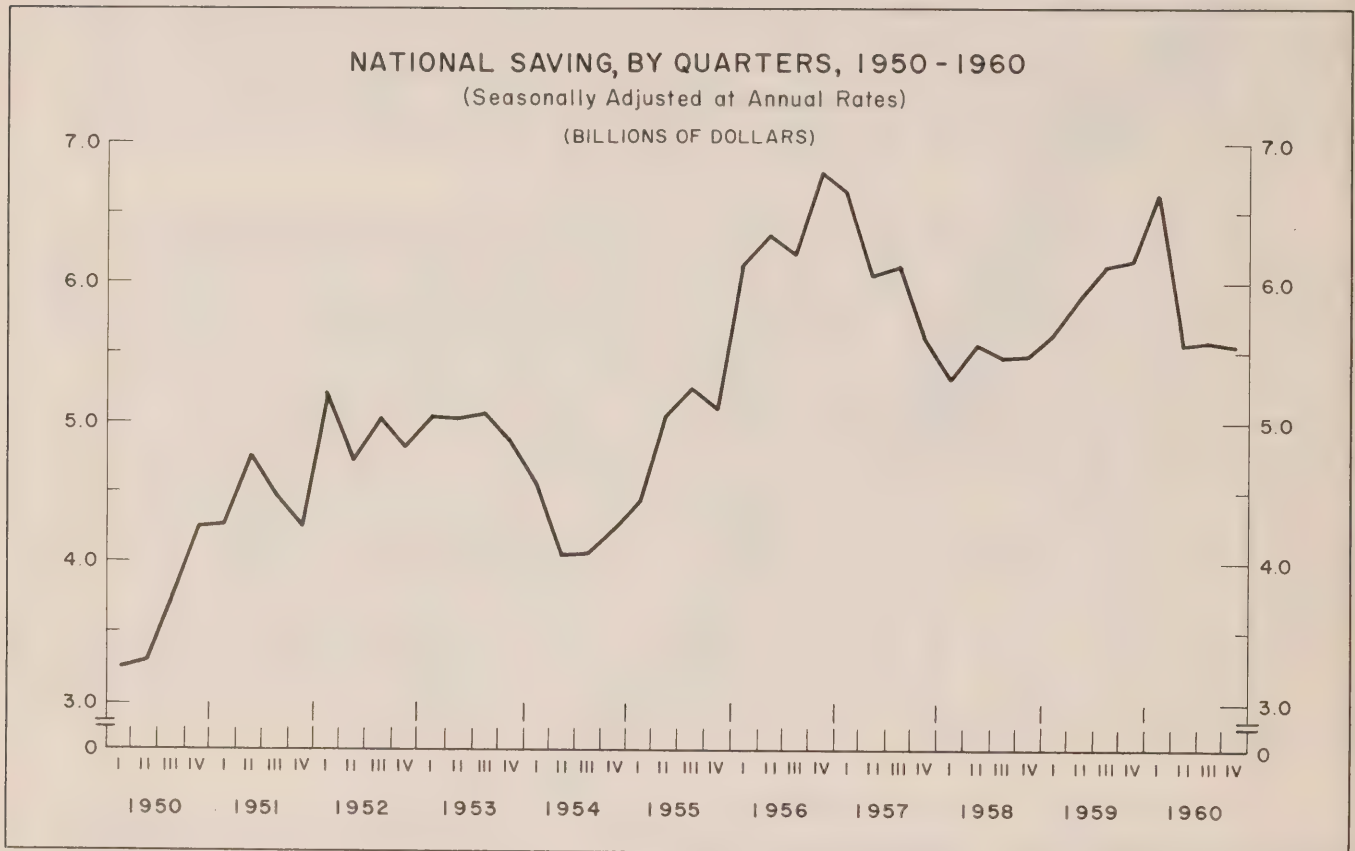






TABLE 1. NATIONAL INCOME AND  
(millions)

	1955				
	I	II	III	IV	YEAR
1. Wages, Salaries, and Supplementary Labour Income ....	3,086	3,261	3,429	3,447	13,223
2. Military Pay and Allowances .....	92	100	101	101	394
3. Corporation Profits before Taxes <sup>1</sup> .....	444	699	776	651	2,570
4. Rent, Interest, and Miscellaneous Investment Income..	396	417	425	446	1,684
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	-5	144	1,035	90	1,264
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	357	462	471	501	1,791
7. Inventory Valuation Adjustment <sup>4</sup> .....	-38	-34	-55	-62	-189
8. NET NATIONAL INCOME AT FACTOR COST .....	4,332	5,049	6,182	5,174	20,737
9. Indirect Taxes less Subsidies .....	755	800	831	851	3,237
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	754	818	835	859	3,266
11. Residual Error of Estimate .....	-35	-63	-35	25	-108
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	5,806	6,604	7,813	6,909	27,132
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(5,811)	(6,460)	(6,778)	(6,819)	(25,868)

	1958				
	I	II	III	IV	YEAR
1. Wages, Salaries, and Supplementary Labour Income ....	3,895	4,136	4,273	4,220	16,524
2. Military Pay and Allowances .....	117	126	125	123	491
3. Corporation Profits before Taxes <sup>1</sup> .....	489	683	682	664	2,518
4. Rent, Interest, and Miscellaneous Investment Income..	477	494	564	589	2,124
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	25	158	872	142	1,197
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	431	526	553	615	2,125
7. Inventory Valuation Adjustment <sup>4</sup> .....	-26	23	2	-34	-35
8. NET NATIONAL INCOME AT FACTOR COST .....	5,408	6,146	7,071	6,319	24,944
9. Indirect Taxes less Subsidies .....	945	976	975	993	3,889
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	947	995	981	1,007	3,930
11. Residual Error of Estimate .....	-118	-32	125	129	104
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	7,182	8,085	9,152	8,448	32,867
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(7,157)	(7,927)	(8,280)	(8,306)	(31,670)

1. Excludes dividends paid to non-residents.

2. Includes change in farm inventories as shown in line 11, Table 4. An adjustment has been made to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board.

3. Includes net income of independent professional practitioners.

4. See Footnote 4, Table 2.

GROSS NATIONAL PRODUCT, BY QUARTERS, 1955-1960  
of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
3,402	3,679	3,906	3,903	14,890	3,777	4,003	4,183	4,055	16,018	1.
93	106	113	112	424	108	116	131	121	476	2.
611	836	798	663	2,908	581	758	697	545	2,581	3.
422	440	439	466	1,767	484	482	501	513	1,980	4.
-18	119	1,202	147	1,450	-1	102	799	126	1,026	5.
397	510	511	547	1,965	421	513	521	553	2,008	6.
-48	-89	-50	-51	-238	-34	-31	-12	-1	-78	7.
4,859	5,601	6,919	5,787	23,166	5,336	5,943	6,820	5,912	24,011	8.
865	916	923	932	3,636	962	974	978	947	3,861	9.
827	908	946	961	3,642	960	1,026	1,025	998	4,009	10.
13	-98	38	188	141	-83	-87	71	127	28	11.
6,564	7,327	8,826	7,868	30,585	7,175	7,856	8,894	7,984	31,909	12.
(6,582)	(7,208)	(7,624)	(7,721)	(29,135)	(7,176)	(7,754)	(8,095)	(7,858)	(30,883)	13.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
4,159	4,446	4,593	4,563	17,761	4,397	4,622	4,792	4,703	18,514	1.
118	129	127	122	496	119	129	127	134	509	2.
582	835	771	719	2,907	617	769	703	646	2,735	3.
545	547	574	611	2,277	573	582	590	617	2,362	4.
2	134	920	76	1,132	5	112	988	102	1,207	5.
474	581	546	617	2,218	460	550	513	582	2,105	6.
-24	-34	-47	-10	-115	-34	-26	-16	19	-57	7.
5,856	6,638	7,484	6,698	26,676	6,137	6,738	7,697	6,803	27,375	8.
990	1,069	1,096	1,089	4,244	1,066	1,116	1,095	1,112	4,389	9.
933	1,050	1,068	1,092	4,143	1,008	1,091	1,080	1,112	4,291	10.
-111	-164	15	54	-206	-86	-199	88	101	-96	11.
7,668	8,593	9,663	8,933	34,857	8,125	8,746	9,960	9,128	35,959	12.
(7,666)	(8,459)	(8,743)	(8,857)	(33,725)	(8,120)	(8,634)	(8,972)	(9,026)	(34,752)	13.

TABLE 2. GROSS NATIONAL  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	3,886	4,379	4,283	4,841	17,389
2. Government Expenditure on Goods and Services <sup>1,2</sup> .....	1,203	1,062	1,306	1,221	4,792
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	973	1,344	1,473	1,420	5,210
4. New Residential Construction .....	236	349	399	394	1,378
5. New Non-Residential Construction .....	338	435	561	514	1,848
6. New Machinery and Equipment .....	399	560	513	512	1,984
7. Value of Physical Change in Inventories <sup>4</sup> .....	-111	-79	794	-293	311
8. Non-Farm Business Inventories .....	166	-44	-13	24	133
9. Farm Inventories and Grain in Commercial Channels..	-277	-35	807	-317	178
10. Exports of Goods and Services .....	1,217	1,440	1,586	1,521	5,764
11. Deduct: Imports of Goods and Services .....	-1,397	-1,605	-1,665	-1,776	-6,443
12. Residual Error of Estimate .....	35	63	36	-25	109
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	5,806	6,604	7,813	6,909	27,132

	1958				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services..	4,866	5,273	5,233	5,868	21,240
2. Government Expenditure on Goods and Services <sup>1,2</sup> .....	1,364	1,441	1,771	1,597	6,173
3. Business Gross Fixed Capital Formation <sup>3</sup> .....	1,410	1,883	1,913	1,769	6,975
4. New Residential Construction .....	301	458	494	510	1,763
5. New Non-Residential Construction .....	532	718	852	709	2,811
6. New Machinery and Equipment .....	577	707	567	550	2,401
7. Value of Physical Change in Inventories <sup>4</sup> .....	-295	-221	554	-371	-333
8. Non-Farm Business Inventories .....	-4	-121	-73	-9	-207
9. Farm Inventories and Grain in Commercial Channels..	-291	-100	627	-362	-126
10. Exports of Goods and Services .....	1,385	1,623	1,658	1,674	6,340
11. Deduct: Imports of Goods and Services .....	-1,666	-1,945	-1,852	-1,960	-7,423
12. Residual Error of Estimate .....	118	31	-125	-129	-105
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	7,182	8,085	9,152	8,448	32,867

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. For details of defence expenditures see Tables 14 and 18.
3. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.
4. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of physical change. The difference between this value of physical change and the change in book value is called the inventory valuation adjustment. (See line 7, Table 1).



EXPENDITURE, BY QUARTERS, 1955-1960  
of dollars

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
4,255	4,681	4,643	5,254	18,833	4,581	5,021	4,983	5,487	20,072	1.
1,227	1,186	1,548	1,425	5,386	1,283	1,335	1,632	1,472	5,722	2.
1,267	1,815	1,908	1,784	6,774	1,542	1,994	2,002	1,797	7,335	3.
291	414	428	393	1,526	248	359	393	409	1,409	4.
425	624	806	734	2,589	579	775	946	803	3,103	5.
551	777	674	657	2,659	715	860	663	585	2,823	6.
191	-17	976	-66	1,084	115	-32	552	-404	231	7.
452	138	26	192	808	369	30	-12	-82	305	8.
-261	-155	950	-258	276	-254	-62	564	-322	-74	9.
1,347	1,635	1,731	1,652	6,365	1,412	1,581	1,765	1,633	6,391	10.
-1,709	-2,071	-1,942	-1,993	-7,715	-1,841	-2,131	-1,968	-1,873	-7,813	11.
-14	98	-38	-188	-142	83	88	-72	-128	-29	12.
6,564	7,327	8,826	7,868	30,585	7,175	7,856	8,894	7,984	31,909	13.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
5,193	5,592	5,528	6,169	22,482	5,377	5,858	5,755	6,419	23,409	1.
1,465	1,527	1,791	1,633	6,416	1,491	1,533	1,953	1,739	6,716	2.
1,329	1,875	1,927	1,763	6,894	1,411	1,740	1,788	1,673	6,612	3.
343	449	466	476	1,734	317	365	399	395	1,476	4.
451	651	794	693	2,589	478	620	787	682	2,567	5.
535	775	667	594	2,571	616	755	602	596	2,569	6.
-21	-119	744	-307	297	68	-112	670	-310	316	7.
275	-29	51	54	351	353	-35	-114	25	229	8.
-296	-90	693	-361	-54	-285	-77	784	-335	87	9.
1,344	1,729	1,780	1,823	6,676	1,582	1,692	1,918	1,765	6,957	10.
-1,753	-2,175	-2,092	-2,095	-8,115	-1,890	-2,164	-2,037	-2,057	-8,148	11.
111	164	-15	-53	207	86	199	-87	-101	97	12.
7,668	8,593	9,663	8,933	34,857	8,125	8,746	9,960	9,128	35,959	13.

TABLE 3. SOURCES OF PERSONAL  
(millions)

	1955				
	I	II	III	IV	YEAR
1. Wages, Salaries, and Supplementary Labour Income .....	3,086	3,261	3,429	3,447	13,223
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-114	-116	-121	-125	-476
3. Military Pay and Allowances .....	92	100	101	101	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	-35	152	1,005	78	1,200
5. Net Income of Non-Farm Unincorporated Business .....	357	462	471	501	1,791
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	438	461	444	497	1,840
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	540	420	391	386	1,737
8. Charitable Contributions by Corporations .....	5	8	8	8	29
9. PERSONAL INCOME .....	4,369	4,748	5,728	4,893	19,738

	1958				
	I	II	III	IV	YEAR
1. Wages, Salaries, and Supplementary Labour Income .....	3,895	4,136	4,273	4,220	16,524
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-153	-149	-156	-157	-615
3. Military Pay and Allowances .....	117	126	125	123	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	46	165	861	126	1,198
5. Net Income of Non-Farm Unincorporated Business .....	431	526	553	615	2,125
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	528	577	575	608	2,288
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	766	634	596	657	2,653
8. Charitable Contributions by Corporations .....	9	9	10	10	38
9. PERSONAL INCOME .....	5,639	6,024	6,837	6,202	24,702

1. This item differs from line 5 of Table 1 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

INCOME, BY QUARTERS, 1955-1960  
of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
3,402	3,679	3,906	3,903	14,890	3,777	4,003	4,183	4,055	16,018	1.
-128	-131	-136	-137	-532	-145	-143	-151	-151	-590	2.
93	106	113	112	424	108	116	131	121	476	3.
-14	120	1,183	141	1,430	18	123	777	108	1,026	4.
397	510	511	547	1,965	421	513	521	553	2,008	5.
437	494	457	520	1,908	496	555	516	574	2,141	6.
538	427	405	396	1,766	583	458	501	534	2,076	7.
7	10	9	8	34	9	9	9	9	36	8.
4,732	5,215	6,448	5,490	21,885	5,267	5,634	6,487	5,803	23,191	9.

1959				1960						
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
4,159	4,446	4,593	4,563	17,761	4,397	4,622	4,792	4,703	18,514	1.
-158	-151	-162	-178	-649	-187	-176	-188	-188	-739	2.
118	129	127	122	496	119	129	127	134	509	3.
21	158	906	51	1,136	22	117	979	83	1,201	4.
474	581	546	617	2,218	460	550	513	582	2,105	5.
583	641	643	692	2,559	647	668	658	723	2,696	6.
801	687	622	648	2,758	901	754	712	749	3,116	7.
9	10	10	11	40	10	10	10	10	40	8.
6,007	6,501	7,285	6,526	26,319	6,369	6,674	7,603	6,796	27,442	9.



TABLE 4. DISPOSITION OF PERSONAL  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Personal Direct Taxes .....	360	380	374	385	1,499
2. Income Taxes .....	310	336	322	329	1,297
3. Succession Duties .....	25	25	39	38	127
4. Miscellaneous .....	25	19	13	18	75
5. Personal Expenditure on Consumer Goods and Services ...	3,886	4,379	4,283	4,841	17,389
6. Non-Durable Goods .....	1,988	2,204	2,232	2,641	9,065
7. Durable Goods .....	425	642	562	616	2,245
8. Services <sup>1</sup> .....	1,473	1,533	1,489	1,584	6,079
9. Personal Net Saving:.....	123	-11	1,071	-333	850
10. Personal Saving Excluding Change in Farm Inventories.	340	18	316	-22	652
11. Value of Physical Change in Farm Inventories .....	-217	-29	755	-311	198
12. PERSONAL INCOME .....	4,369	4,748	5,728	4,893	19,738
13. (Personal Disposable Income) <sup>2</sup> .....	(4,009)	(4,368)	(5,354)	(4,508)	(18,239)

	1958				YEAR
	I	II	III	IV	
1. Personal Direct Taxes .....	455	432	440	461	1,788
2. Income Taxes .....	380	375	393	406	1,554
3. Succession Duties .....	33	33	27	33	126
4. Miscellaneous .....	42	24	20	22	108
5. Personal Expenditure on Consumer Goods and Services ...	4,866	5,273	5,233	5,868	21,240
6. Non-Durable Goods .....	2,457	2,615	2,659	3,147	10,878
7. Durable Goods .....	538	688	599	674	2,499
8. Services <sup>1</sup> .....	1,871	1,970	1,975	2,047	7,863
9. Personal Net Saving:.....	318	319	1,164	-127	1,674
10. Personal Saving Excluding Change in Farm Inventories.	563	393	571	240	1,767
11. Value of Physical Change in Farm Inventories .....	-245	-74	593	-367	-93
12. PERSONAL INCOME .....	5,639	6,024	6,837	6,202	24,702
13. (Personal Disposable Income) <sup>2</sup> .....	(5,184)	(5,592)	(6,397)	(5,741)	(22,914)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.

INCOME, BY QUARTERS, 1955-1960  
of dollars

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
402	460	431	439	1,732	466	501	474	476	1,917	1.
331	391	382	392	1,496	393	445	426	429	1,693	2.
37	48	31	30	146	35	33	28	30	126	3.
34	21	18	17	90	38	23	20	17	98	4.
4,255	4,681	4,643	5,254	18,833	4,581	5,021	4,983	5,487	20,072	5.
2,158	2,296	2,404	2,878	9,736	2,312	2,504	2,573	3,013	10,402	6.
486	710	598	637	2,431	519	680	608	623	2,430	7.
1,611	1,675	1,641	1,739	6,666	1,750	1,837	1,802	1,851	7,240	8.
75	74	1,374	-203	1,320	220	112	1,030	-160	1,202	9.
298	222	455	104	1,079	466	189	480	192	1,327	10.
-223	-148	919	-307	241	-246	-77	550	-352	-125	11.
4,732	5,215	6,448	5,490	21,885	5,267	5,634	6,487	5,803	23,191	12.
(4,330)	(4,755)	(6,017)	(5,051)	(20,153)	(4,801)	(5,133)	(6,013)	(5,327)	(21,274)	13.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
479	529	525	550	2,083	557	639	578	584	2,358	1.
375	444	454	471	1,744	428	548	501	500	1,977	2.
35	30	31	34	130	49	39	32	38	158	3.
69	55	40	45	209	80	52	45	46	223	4.
5,193	5,592	5,528	6,169	22,482	5,377	5,858	5,755	6,419	23,409	5.
2,554	2,689	2,773	3,299	11,315	2,636	2,831	2,922	3,394	11,783	6.
586	772	627	695	2,680	586	763	602	736	2,687	7.
2,053	2,131	2,128	2,175	8,487	2,155	2,264	2,231	2,289	8,939	8.
335	380	1,232	-193	1,754	435	177	1,270	-207	1,675	9.
608	449	582	180	1,819	665	281	568	144	1,658	10.
-273	-69	650	-373	-65	-230	-104	702	-351	17	11.
6,007	6,501	7,285	6,526	26,319	6,369	6,674	7,603	6,796	27,442	12.
(5,528)	(5,972)	(6,760)	(5,976)	(24,236)	(5,812)	(6,035)	(7,025)	(6,212)	(25,084)	13.

TABLE 5. NATIONAL INCOME AND GROSS  
SEASONALLY ADJUSTED  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	12,812	13,064	13,336	13,680	13,223
2. Military Pay and Allowances .....	392	396	392	396	394
3. Corporation Profits before Taxes <sup>1</sup> .....	2,124	2,452	2,780	2,924	2,570
4. Rent, Interest, and Miscellaneous Investment Income ..	1,660	1,716	1,692	1,668	1,684
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,256	1,428	1,244	1,128	1,264
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	1,728	1,772	1,824	1,840	1,791
7. Inventory Valuation Adjustment .....	-152	-136	-220	-248	-189
8. NET NATIONAL INCOME AT FACTOR COST .....	19,820	20,692	21,048	21,388	20,737
9. Indirect Taxes less Subsidies .....	3,080	3,188	3,296	3,384	3,237
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	3,172	3,212	3,316	3,364	3,266
11. Residual Error of Estimate .....	-16	-140	-112	-164	-108
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	26,056	26,952	27,548	27,972	27,132
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(24,800)	(25,524)	(26,304)	(26,844)	(25,868)

	1958				YEAR
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	16,248	16,476	16,560	16,812	16,524
2. Military Pay and Allowances .....	492	496	484	492	491
3. Corporation Profits before Taxes <sup>1</sup> .....	2,364	2,356	2,536	2,816	2,518
4. Rent, Interest, and Miscellaneous Investment Income ..	1,956	2,048	2,244	2,248	2,124
5. Accrued Net Income of Farm Operators from Farm Production <sup>2</sup> .....	1,196	1,240	1,160	1,192	1,197
6. Net Income of Non-Farm Unincorporated Business <sup>3</sup> .....	2,064	2,056	2,168	2,212	2,125
7. Inventory Valuation Adjustment .....	-104	92	8	-136	-35
8. NET NATIONAL INCOME AT FACTOR COST .....	24,216	24,764	25,160	25,636	24,944
9. Indirect Taxes less Subsidies .....	3,900	3,860	3,860	3,936	3,889
10. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	4,000	3,888	3,868	3,964	3,930
11. Residual Error of Estimate .....	-116	280	208	44	104
12. GROSS NATIONAL PRODUCT AT MARKET PRICES .....	32,000	32,792	33,096	33,580	32,867
13. (Gross National Product at Market Prices excluding Accrued Net Income of Farm Operators) .....	(30,804)	(31,552)	(31,936)	(32,388)	(31,670)

1. Excludes dividends paid to non-residents.

2. Includes an arbitrary smoothing of crop production and standard seasonal adjustments for withdrawals of grain from farm stocks and the change in livestock items. Because of the arbitrary elements, too precise an interpretation should not be given the seasonally adjusted figures of accrued net income of farm operators.

3. Includes net income of independent professional practitioners.



NATIONAL PRODUCT, BY QUARTERS, 1955-1960  
AT ANNUAL RATES  
of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
14,192	14,712	15,140	15,516	14,890	15,760	15,972	16,204	16,136	16,018	1.
396	420	432	448	424	456	460	504	484	476	2.
2,924	2,924	2,904	2,880	2,908	2,808	2,616	2,556	2,344	2,581	3.
1,748	1,796	1,736	1,788	1,767	1,976	1,992	2,000	1,952	1,980	4.
1,364	1,532	1,360	1,544	1,450	1,012	984	1,016	1,092	1,026	5.
1,908	1,964	1,972	2,016	1,965	2,020	2,000	2,028	1,984	2,008	6.
-192	-356	-200	-204	-238	-136	-124	-48	-4	-78	7.
22,340	22,992	23,344	23,988	23,166	23,896	23,900	24,260	23,988	24,011	8.
3,516	3,640	3,664	3,724	3,636	3,924	3,868	3,864	3,788	3,861	9.
3,480	3,572	3,736	3,780	3,642	4,032	4,020	4,036	3,948	4,009	10.
168	-	100	296	141	-28	-12	84	68	28	11.
29,504	30,204	30,844	31,788	30,585	31,824	31,776	32,244	31,792	31,909	12.
(28,140)	(28,672)	(29,484)	(30,244)	(29,135)	(30,812)	(30,792)	(31,228)	(30,700)	(30,883)	13.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
17,348	17,704	17,816	18,176	17,761	18,340	18,396	18,600	18,720	18,514	1.
496	504	496	488	496	496	500	504	536	509	2.
2,776	2,888	2,984	2,980	2,907	2,852	2,668	2,728	2,692	2,735	3.
2,248	2,232	2,280	2,348	2,277	2,376	2,304	2,364	2,404	2,362	4.
1,196	1,120	1,196	1,016	1,132	1,308	1,124	1,164	1,232	1,207	5.
2,260	2,276	2,148	2,188	2,218	2,140	2,160	2,060	2,060	2,105	6.
-96	-136	-188	-40	-115	-136	-104	-64	76	-57	7.
26,228	26,588	26,732	27,156	26,676	27,376	27,048	27,356	27,720	27,375	8.
4,108	4,228	4,328	4,312	4,244	4,408	4,420	4,320	4,408	4,389	9.
3,944	4,120	4,232	4,276	4,143	4,288	4,260	4,268	4,348	4,291	10.
-144	-192	-240	-248	-206	-68	-172	-104	-40	-96	11.
34,136	34,744	35,052	35,496	34,857	36,004	35,556	35,840	36,436	35,959	12.
(32,940)	(33,624)	(33,856)	(34,480)	(33,725)	(34,696)	(34,432)	(34,676)	(35,204)	(34,752)	13.

TABLE 6. GROSS NATIONAL EXPENDITURE,  
SEASONALLY ADJUSTED  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	16,744	17,272	17,552	17,988	17,389
2. Government Expenditure on Goods and Services <sup>1</sup> .....	4,884	4,644	4,760	4,880	4,792
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	4,720	5,020	5,396	5,704	5,210
4. New Residential Construction .....	1,284	1,360	1,420	1,448	1,378
5. New Non-Residential Construction .....	1,736	1,796	1,872	1,988	1,848
6. New Machinery and Equipment .....	1,700	1,864	2,104	2,268	1,984
7. Value of Physical Change in Inventories .....	144	236	496	368	311
8. Non-Farm Business Inventories .....	36	-200	328	368	133
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> ..	108	436	168	-	178
10. Exports of Goods and Services .....	5,584	5,708	5,860	5,904	5,764
11. Deduct: Imports of Goods and Services .....	-6,036	-6,068	-6,628	-7,040	-6,443
12. Residual Error of Estimate .....	16	140	112	168	109
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	26,056	26,952	27,548	27,972	27,132

	1958				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	20,768	21,048	21,332	21,812	21,240
2. Government Expenditure on Goods and Services <sup>1</sup> .....	5,924	6,188	6,292	6,288	6,173
3. Business Gross Fixed Capital Formation <sup>2</sup> .....	6,984	7,000	6,924	6,992	6,975
4. New Residential Construction .....	1,624	1,760	1,796	1,872	1,763
5. New Non-Residential Construction .....	2,876	2,872	2,796	2,700	2,811
6. New Machinery and Equipment .....	2,484	2,368	2,332	2,420	2,401
7. Value of Physical Change in Inventories .....	-796	-296	-84	-156	-333
8. Non-Farm Business Inventories .....	-656	-196	-4	28	-207
9. Farm Inventories and Grain in Commercial Channels <sup>3</sup> ..	-140	-100	-80	-184	-126
10. Exports of Goods and Services .....	6,324	6,428	6,180	6,428	6,340
11. Deduct: Imports of Goods and Services .....	-7,316	-7,296	-7,340	-7,740	-7,423
12. Residual Error of Estimate .....	112	-280	-208	-44	-105
13. GROSS NATIONAL EXPENDITURE AT MARKET PRICES .....	32,000	32,792	33,096	33,580	32,867

1. Includes outlays on new durable assets such as building and highway construction by governments, other than government business enterprises. Also includes net purchases of government commodity agencies.
2. Includes capital expenditures by private and government business enterprises, private non-commercial institutions, and outlays on new residential construction by individuals and business investors.

	1955					1956				
	I	II	III	IV	YEAR	I	II	III	IV	YEAR
3. Detail:										
Farm Inventories -										
Value of grain crop production .....	1,044	1,044	1,044	1,048	1,045	1,232	1,236	1,236	1,236	1,235
Depletions of farm stocks of grain ..	-904	-724	-992	-892	-878	-996	-1,028	-1,004	-972	-1,000
Change in livestock inventories .....	36	48	48	-8	31	60	-72	-44	80	6
Grain in Commercial Channels .....	-68	68	68	-148	-20	-12	24	4	124	35

In the seasonally adjusted series, the value of grain crop production in each quarter is taken as one-fourth of the estimated value of crop production for the year as a whole (see Footnote 2, Table 5). All other items in the farm inventories series are seasonally adjusted by standard techniques.

BY QUARTERS, 1955-1960  
AT ANNUAL RATES  
of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
18,248	18,692	19,056	19,336	18,833	19,660	19,976	20,300	20,352	20,072	1.
5,132	5,176	5,580	5,656	5,386	5,508	5,728	5,820	5,832	5,722	2.
6,192	6,728	7,000	7,176	6,774	7,528	7,396	7,296	7,120	7,335	3.
1,572	1,580	1,520	1,432	1,526	1,352	1,364	1,412	1,508	1,409	4.
2,236	2,544	2,716	2,860	2,589	3,060	3,124	3,140	3,088	3,103	5.
2,384	2,604	2,764	2,884	2,659	3,116	2,908	2,744	2,524	2,823	6.
1,408	848	660	1,420	1,084	708	324	208	-316	231	7.
1,124	688	468	952	808	744	300	376	-200	305	8.
284	160	192	468	276	-36	24	-168	-116	-74	9.
6,172	6,456	6,396	6,436	6,365	6,452	6,268	6,524	6,320	6,391	10.
-7,484	-7,692	-7,748	-7,936	-7,715	-8,056	-7,932	-7,820	-7,444	-7,813	11.
-164	-4	-100	-300	-142	24	16	-84	-72	-29	12.
29,504	30,204	30,844	31,788	30,585	31,824	31,776	32,244	31,792	31,909	13.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
22,132	22,288	22,588	22,920	22,482	22,896	23,376	23,420	23,944	23,409	1.
6,376	6,548	6,340	6,400	6,416	6,488	6,620	6,832	6,924	6,716	2.
6,620	6,916	7,048	6,992	6,894	6,916	6,384	6,500	6,648	6,612	3.
1,804	1,720	1,688	1,724	1,734	1,640	1,396	1,444	1,424	1,476	4.
2,480	2,604	2,620	2,652	2,589	2,608	2,476	2,584	2,600	2,567	5.
2,336	2,592	2,740	2,616	2,571	2,668	2,512	2,472	2,624	2,569	6.
392	152	460	184	297	752	424	-132	220	316	7.
492	212	424	276	351	648	336	-176	108	229	8.
-100	-60	36	-92	-54	104	88	44	112	87	9.
6,292	6,696	6,672	7,044	6,676	7,172	6,676	7,168	6,812	6,957	10.
-7,820	-8,052	-8,300	-8,288	-8,115	-8,292	-8,100	-8,052	-8,148	-8,148	11.
144	196	244	244	207	72	176	104	36	97	12.
34,136	34,744	35,052	35,496	34,857	36,004	35,556	35,840	36,436	35,959	13.

1957					1958					1959					1960				
I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	II	III	IV	YEAR	I	II	III	IV	YEAR
816	816	816	820	817	856	860	860	860	859	912	912	912	912	912	1,016	1,016	1,016	1,020	1,017
-1,016	-884	-900	-1,024	-956	-936	-1,040	-964	-988	-982	-1,088	-980	-932	-988	-997	-908	-1,016	-1,168	-964	-1,014
64	8	-24	8	14	-16	112	32	-8	30	44	16	28	-8	20	92	-92	16	40	14
100	84	-60	80	51	-44	-32	-8	-48	-33	32	-8	28	-8	11	-96	180	180	16	70



TABLE 7. SOURCES OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	12,812	13,064	13,336	13,680	13,223
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-456	-468	-480	-500	-476
3. Military Pay and Allowances .....	392	396	392	396	394
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,160	1,380	1,176	1,084	1,200
5. Net Income of Non-Farm Unincorporated Business .....	1,728	1,772	1,824	1,840	1,791
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	1,860	1,800	1,828	1,872	1,840
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	1,768	1,752	1,708	1,720	1,737
8. Charitable Contributions by Corporations .....	24	28	32	32	29
9. PERSONAL INCOME .....	19,288	19,724	19,816	20,124	19,738

	1958				YEAR
	I	II	III	IV	
1. Wages, Salaries, and Supplementary Labour Income .....	16,248	16,476	16,560	16,812	16,524
2. Deduct: Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	-600	-612	-624	-624	-615
3. Military Pay and Allowances .....	492	496	484	492	491
4. Net Income Received by Farm Operators from Farm Production <sup>1</sup> .....	1,200	1,208	1,180	1,204	1,198
5. Net Income of Non-Farm Unincorporated Business .....	2,064	2,056	2,168	2,212	2,125
6. Interest, Dividends, and Net Rental Income of Persons <sup>2</sup>	2,204	2,252	2,360	2,336	2,288
Transfer Payments to Persons:					
7. From Government (Excluding Interest) .....	2,468	2,548	2,708	2,888	2,653
8. Charitable Contributions by Corporations .....	36	36	40	40	38
9. PERSONAL INCOME .....	24,112	24,460	24,876	25,360	24,702

1. This item differs from line 5, Table 5 by excluding the adjustment which has been made to take account of the accrued net earnings arising out of the operations of the Canadian Wheat Board.

2. Includes all government debt interest paid to persons.

INCOME, BY QUARTERS, 1955-1960  
 AT ANNUAL RATES  
 of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
14,192	14,712	15,140	15,516	14,890	15,760	15,972	16,204	16,136	16,018	1.
-508	-528	-540	-552	-532	-572	-580	-604	-604	-590	2.
396	420	432	448	424	456	460	504	484	476	3.
1,392	1,468	1,300	1,560	1,430	1,024	1,000	996	1,084	1,026	4.
1,908	1,964	1,972	2,016	1,965	2,020	2,000	2,028	1,984	2,008	5.
1,844	1,924	1,900	1,964	1,908	2,084	2,152	2,148	2,180	2,141	6.
1,748	1,776	1,776	1,764	1,766	1,876	1,868	2,192	2,368	2,076	7.
36	36	32	32	34	36	36	36	36	36	8.
21,008	21,772	22,012	22,748	21,885	22,684	22,908	23,504	23,668	23,191	9.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
17,348	17,704	17,816	18,176	17,761	18,340	18,396	18,600	18,720	18,514	1.
-616	-624	-648	-708	-649	-728	-732	-748	-748	-739	2.
496	504	496	488	496	496	500	504	536	509	3.
1,196	1,160	1,200	988	1,136	1,296	1,100	1,180	1,228	1,201	4.
2,260	2,276	2,148	2,188	2,218	2,140	2,160	2,060	2,060	2,105	5.
2,428	2,540	2,620	2,648	2,559	2,692	2,644	2,680	2,768	2,696	6.
2,604	2,844	2,724	2,860	2,758	2,920	3,056	3,208	3,280	3,116	7.
40	40	40	40	40	40	40	40	40	40	8.
25,756	26,444	26,396	26,680	26,319	27,196	27,164	27,524	27,884	27,442	9.

TABLE 8. DISPOSITION OF PERSONAL  
SEASONALLY ADJUSTED  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Personal Direct Taxes .....	1,528	1,476	1,492	1,500	1,499
2. Income Taxes .....	1,332	1,272	1,292	1,292	1,297
3. Succession Duties .....	128	128	128	124	127
4. Miscellaneous .....	68	76	72	84	75
5. Personal Expenditure on Consumer Goods and Services ..	16,744	17,272	17,552	17,988	17,389
6. Non-Durable Goods .....	8,848	9,000	9,096	9,316	9,065
7. Durable Goods .....	2,004	2,248	2,308	2,420	2,245
8. Services <sup>1</sup> .....	5,892	6,024	6,148	6,252	6,079
9. Personal Net Saving .....	1,016	976	772	636	850
10. PERSONAL INCOME .....	19,288	19,724	19,816	20,124	19,738
11. (Personal Disposable Income) <sup>2</sup> .....	(17,760)	(18,248)	(18,324)	(18,624)	(18,239)

	1958				YEAR
	I	II	III	IV	
1. Personal Direct Taxes .....	1,848	1,680	1,780	1,844	1,788
2. Income Taxes .....	1,600	1,440	1,572	1,604	1,554
3. Succession Duties .....	132	132	108	132	126
4. Miscellaneous .....	116	108	100	108	108
5. Personal Expenditure on Consumer Goods and Services ..	20,768	21,048	21,332	21,812	21,240
6. Non-Durable Goods .....	10,748	10,864	10,876	11,024	10,878
7. Durable Goods .....	2,448	2,432	2,508	2,608	2,499
8. Services <sup>1</sup> .....	7,572	7,752	7,948	8,180	7,863
9. Personal Net Saving .....	1,496	1,732	1,764	1,704	1,674
10. PERSONAL INCOME .....	24,112	24,460	24,876	25,360	24,702
11. (Personal Disposable Income) <sup>2</sup> .....	(22,264)	(22,780)	(23,096)	(23,516)	(22,914)

1. Includes net expenditure abroad.

2. Personal Income less Total Personal Direct Taxes.



INCOME, BY QUARTERS, 1955-1960  
AT ANNUAL RATES  
of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,664	1,724	1,768	1,772	1,732	1,884	1,908	1,924	1,952	1,917	1.
1,428	1,488	1,528	1,540	1,496	1,656	1,684	1,708	1,724	1,693	2.
148	148	144	144	146	140	132	112	120	126	3.
88	88	96	88	90	88	92	104	108	98	4.
18,248	18,692	19,056	19,336	18,833	19,660	19,976	20,300	20,352	20,072	5.
9,480	9,608	9,880	9,976	9,736	10,168	10,352	10,512	10,576	10,402	6.
2,312	2,500	2,452	2,460	2,431	2,416	2,424	2,484	2,396	2,430	7.
6,456	6,584	6,724	6,900	6,666	7,076	7,200	7,304	7,380	7,240	8.
1,096	1,356	1,188	1,640	1,320	1,140	1,024	1,280	1,364	1,202	9.
21,008	21,772	22,012	22,748	21,885	22,684	22,908	23,504	23,668	23,191	10.
(19,344)	(20,048)	(20,244)	(20,976)	(20,153)	(20,800)	(21,000)	(21,580)	(21,716)	(21,274)	11.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,952	2,048	2,128	2,204	2,083	2,240	2,476	2,336	2,380	2,358	1.
1,592	1,708	1,808	1,868	1,744	1,820	2,104	1,992	1,992	1,977	2.
140	120	124	136	130	196	156	128	152	158	3.
220	220	196	200	209	224	216	216	236	223	4.
22,132	22,288	22,588	22,920	22,482	22,896	23,376	23,420	23,944	23,409	5.
11,132	11,196	11,348	11,584	11,315	11,516	11,824	11,848	11,944	11,783	6.
2,672	2,712	2,668	2,668	2,680	2,664	2,652	2,564	2,868	2,687	7.
8,328	8,380	8,572	8,668	8,487	8,716	8,900	9,008	9,132	8,939	8.
1,672	2,108	1,680	1,556	1,754	2,060	1,312	1,768	1,560	1,675	9.
25,756	26,444	26,396	26,680	26,319	27,196	27,164	27,524	27,884	27,442	10.
(23,804)	(24,396)	(24,268)	(24,476)	(24,236)	(24,956)	(24,688)	(25,188)	(25,504)	(25,084)	11.

TABLE 9. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949)

UNADJUSTED  
(millions)

	1955				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	3,256	3,706	3,616	4,084	14,662
2. Non-Durable Goods .....	1,796	1,997	2,012	2,382	8,187
3. Durable Goods .....	382	591	528	565	2,066
4. Services .....	1,078	1,118	1,076	1,137	4,409
5. Government Expenditure on Goods and Services .....	909	793	971	890	3,563
6. Business Gross Fixed Capital Formation .....	754	1,038	1,118	1,052	3,962
7. New Residential Construction .....	181	266	300	293	1,040
8. New Non-Residential Construction .....	254	325	415	371	1,365
9. New Machinery and Equipment .....	319	447	403	388	1,557
10. Change in Inventories .....	-177	-98	1,042	-348	419
11. Non-Farm Business Inventories .....	147	-33	-3	23	134
12. Farm Inventories and Grain in Commercial Channels ..	-324	-65	1,045	-371	285
13. Exports of Goods and Services .....	1,077	1,240	1,355	1,297	4,969
14. Deduct: Imports of Goods and Services .....	-1,259	-1,438	-1,494	-1,551	-5,742
15. Residual Error of Estimate .....	28	50	29	-20	87
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS.	4,588	5,291	6,637	5,404	21,920

	1958				YEAR
	I	II	III	IV	
1. Personal Expenditure on Consumer Goods and Services ..	3,813	4,101	4,072	4,582	16,568
2. Non-Durable Goods .....	2,114	2,221	2,263	2,690	9,288
3. Durable Goods .....	466	590	525	576	2,157
4. Services .....	1,233	1,290	1,284	1,316	5,123
5. Government Expenditure on Goods and Services .....	882	926	1,160	1,015	3,983
6. Business Gross Fixed Capital Formation .....	961	1,284	1,300	1,189	4,734
7. New Residential Construction .....	211	318	340	349	1,218
8. New Non-Residential Construction .....	356	481	572	468	1,877
9. New Machinery and Equipment .....	394	485	388	372	1,639
10. Change in Inventories .....	-325	-295	734	-419	-305
11. Non-Farm Business Inventories .....	14	-87	-58	-12	-143
12. Farm Inventories and Grain in Commercial Channels ..	-339	-208	792	-407	-162
13. Exports of Goods and Services .....	1,186	1,397	1,414	1,450	5,447
14. Deduct: Imports of Goods and Services .....	-1,377	-1,636	-1,569	-1,666	-6,248
15. Residual Error of Estimate .....	88	23	-92	-96	-77
16. GROSS NATIONAL EXPENDITURE IN CONSTANT (1949) DOLLARS.	5,228	5,800	7,019	6,055	24,102

1. See Footnotes, Table 2.

2. The implicit price deflators of the components of Gross National Expenditure which can be derived by dividing the value figures in Table 2 by the volume figures in Table 9 are not suitable as indicators of quarter-to-quarter price movements. This is because they are currently weighted, and are therefore affected by compositional shifts which occur within the components of the Gross National Expenditure on a quarter-to-quarter basis. Year-over-year comparisons are less subject to the problem of shifting weights at the component levels of Gross National Expenditure.

DOLLARS, BY QUARTERS, 1955-1960  
 FOR SEASONALITY<sup>1,2</sup>  
 of dollars)

1956					1957					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
3,552	3,917	3,828	4,306	15,603	3,681	4,026	3,961	4,390	16,058	1.
1,957	2,082	2,132	2,534	8,705	2,027	2,192	2,220	2,608	9,047	2.
442	648	551	568	2,209	453	586	534	553	2,126	3.
1,153	1,187	1,145	1,204	4,689	1,201	1,248	1,207	1,229	4,885	4.
888	834	1,090	982	3,794	870	890	1,093	964	3,817	5.
929	1,322	1,376	1,264	4,891	1,081	1,387	1,384	1,232	5,084	6.
215	302	310	283	1,110	178	254	277	288	997	7.
301	440	566	509	1,816	395	528	642	542	2,107	8.
413	580	500	472	1,965	508	605	465	402	1,980	9.
73	-95	1,149	-172	955	-14	-100	716	-455	147	10.
379	114	7	148	648	305	26	-16	-58	257	11.
-306	-209	1,142	-320	307	-319	-126	732	-397	-110	12.
1,140	1,373	1,448	1,379	5,340	1,171	1,300	1,475	1,407	5,353	13.
-1,471	-1,782	-1,688	-1,721	-6,662	-1,555	-1,792	-1,675	-1,582	-6,604	14.
-12	76	-29	-145	-110	62	66	-54	-96	-22	15.
5,099	5,645	7,174	5,893	23,811	5,296	5,777	6,900	5,860	23,833	16.

1959					1960					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
3,991	4,304	4,245	4,741	17,281	4,084	4,450	4,361	4,879	17,774	1.
2,186	2,305	2,358	2,783	9,632	2,246	2,405	2,467	2,839	9,957	2.
494	646	542	591	2,273	490	637	523	639	2,289	3.
1,311	1,353	1,345	1,367	5,376	1,348	1,408	1,371	1,401	5,528	4.
919	949	1,135	1,002	4,005	898	916	1,202	1,027	4,043	5.
887	1,246	1,275	1,159	4,567	922	1,127	1,157	1,080	4,286	6.
233	300	309	314	1,156	210	237	258	254	959	7.
295	426	518	448	1,687	304	395	501	434	1,634	8.
359	520	448	397	1,724	408	495	398	392	1,693	9.
-121	-202	891	-385	183	-52	-184	884	-351	297	10.
220	-16	34	35	273	283	-20	-101	23	185	11.
-341	-186	857	-420	-90	-335	-164	985	-374	112	12.
1,137	1,448	1,465	1,513	5,563	1,312	1,379	1,558	1,463	5,712	13.
-1,479	-1,839	-1,776	-1,789	-6,883	-1,588	-1,800	-1,698	-1,715	-6,801	14.
80	117	-11	-38	148	60	140	-61	-71	68	15.
5,414	6,023	7,224	6,203	24,864	5,636	6,028	7,403	6,312	25,379	16.



TABLE 10. BUSINESS GROSS FIXED CAPITAL FORMATION, BY INDUSTRY, 1955-1960<sup>1</sup>  
(millions of dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
1. Agriculture .....	426	488	434	465	539	548
2. Fishing and Trapping .....						
3. Forestry .....	63	76	48	33	48	52
4. Mining, Quarrying, and Oil Wells .....	336	542	606	342	342	382
5. Manufacturing .....	947	1,394	1,479	1,095	1,144	1,192
6. Construction .....	174	200	158	157	145	137
7. Transportation .....	395	731	1,042	967	746	701
8. Storage .....						
9. Communication <sup>2</sup> .....	219	254	312	336	325	350
10. Electric Power, Gas, and Water Utilities ...	516	772	949	845	766	701
11. Trade .....	329	325	370	356	363	348
12. Finance, Insurance, and Real Estate <sup>3</sup> .....	1,480	1,650	1,545	1,943	2,001	1,726
13. Service <sup>4</sup> .....	325	342	392	436	475	475
14. Total .....	5,210	6,774	7,335	6,975	6,894	6,612

1. This table is derived from "Private and Public Investment in Canada", publications. Additional detail has been provided by the D.B.S. Business Finance Division, and adjustments have been made to bring the data into line with National Accounting concepts. See reconciliation statement, Table 11. For an industrial distribution of total private and public investment, see Table 1 in the aforementioned publications.

2. Excludes investment expenditures by the Canadian Broadcasting Corporation, which are included in "Government Expenditure on Goods and Services".

3. Includes all new residential construction, (exclusive of government other than government business enterprise). See Table 2.

4. Excludes government departmental expenditures, federal hospital, provincial hospital and school, and municipal school expenditures, which are included with "Government Expenditure on Goods and Services". Investment expenditure of government business enterprises (railway, power commissions, etc.), are included under appropriate industry headings.

TABLE 11. BUSINESS GROSS FIXED CAPITAL FORMATION, 1955-1960  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
1. Total Private and Public Investment in Canada <sup>1</sup> .....	6,244	8,034	8,717	8,364	8,417	8,200
2. Deduct: New Residential Construction by Governments <sup>2</sup> .....	-19	-21	-21	-19	-18	-13
3. New Non-Residential Construction by Governments ..	-924	-1,137	-1,251	-1,237	-1,368	-1,431
4. New Machinery and Equipment Outlays by Governments	-91	-102	-110	-133	-137	-144
5. Business Gross Fixed Capital Formation .....	5,210	6,744	7,335	6,975	6,894	6,612

1. As presented in the publications "Private and Public Investment in Canada".

2. Excludes residential construction under Veterans' Land Act, construction of veterans' rental housing by Central Mortgage and Housing Corporation, and joint federal-provincial housing (Section 36, National Housing Act) which are included under line 5.

TABLE 12. EXPORTS AND IMPORTS OF GOODS AND SERVICES, 1955-1960<sup>1</sup>  
RECONCILIATION STATEMENT  
(millions of dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>
<u>Exports of Goods and Services:</u>						
1. Merchandise Exports .....	4,332	4,837	4,894	4,887	5,149	5,400
2. Gold Production Available for Export .....	155	150	147	160	148	161
3. Interest and Dividends Received from Non-Residents .....	160	142	154	168	183	175
4. Other Receipts from Services Rendered to Non-Residents ....	1,203	1,335	1,320	1,222	1,305	1,323
5. Subtotal: "Current Receipts" as per Canadian Balance of International Payments .....	5,850	6,464	6,515	6,437	6,785	7,059
6. Inheritances and Immigrants' Funds .....	-86	-99	-124	-97	-109	-102
7. Total "Exports of Goods and Services" as per National Accounts <sup>2</sup>	5,764	6,365	6,391	6,340	6,676	6,957
<u>Imports of Goods and Services:</u>						
8. Merchandise Imports .....	4,543	5,565	5,488	5,066	5,572	5,548
9. Interest and Dividends Paid to Non-Residents .....	483	523	589	612	657	655
10. Other Payments for Services Rendered to Non-Residents ....	1,522	1,742	1,893	1,890	2,050	2,126
11. Subtotal: "Current Payments" as per Canadian Balance of International Payments .....	6,548	7,830	7,970	7,568	8,279	8,329
12. Inheritances and Emigrants Funds .....	-105	-115	-157	-145	-164	-181
13. Total "Imports of Goods and Services" as per National Accounts <sup>2</sup>	6,443	7,715	7,813	7,423	8,115	8,148

1. Data sources are reported on the "Canadian Balance of International Payments" (Balance of Payments Section, Dominion Bureau of Statistics), and other information received from the Balance of Payments Section. Figures exclude mutual aid to N.A.T.O. countries.

2. See also Table 2.

TABLE 13. GOVERNMENT REVENUE AND  
(millions)

REVENUE					
1950					YEAR
	I	II	III	IV	
1. Direct Taxes - Persons .....	180	216	165	179	740
2. Federal .....	153	195	148	158	654
3. Provincial and Municipal .....	27	21	17	21	86
4. Direct Taxes - Corporations .....	172	235	300	276	983
5. Federal .....	147	200	255	235	837
6. (Federal Tax Collections) .....	(155)	(157)	(168)	(215)	(695)
7. Provincial .....	25	35	45	41	146
8. Withholding Taxes					
Federal .....	12	14	10	18	54
9. Indirect Taxes .....	467	499	525	572	2,063
10. Federal .....	244	261	279	331	1,115
11. Provincial and Municipal .....	223	238	246	241	948
12. Investment Income .....	92	121	118	140	471
13. Federal .....	20	40	38	48	146
14. Provincial and Municipal .....	72	81	80	92	325
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	59	60	67	70	256
16. Federal .....	37	36	42	44	159
17. Provincial and Municipal .....	22	24	25	26	97
18. Transfers from Federal; Provincial and Municipal .....	58	56	68	69	251
19. Total Revenue .....	1,040	1,201	1,253	1,324	4,818
20. Federal .....	613	746	772	834	2,965
21. Provincial and Municipal .....	427	455	481	490	1,853

1953					
	I	II	III	IV	YEAR
1. Direct Taxes - Persons .....	358	416	323	335	1,432
2. Federal .....	323	390	302	314	1,329
3. Provincial and Municipal .....	35	26	21	21	103
4. Direct Taxes - Corporations .....	289	353	317	261	1,220
5. Federal .....	271	331	297	245	1,144
6. (Federal Tax Collections) .....	(368)	(306)	(311)	(308)	(1,293)
7. Provincial .....	18	22	20	16	76
8. Withholding Taxes					
Federal .....	17	11	14	12	54
9. Indirect Taxes .....	716	765	770	770	3,021
10. Federal .....	394	442	432	429	1,697
11. Provincial and Municipal .....	322	323	338	341	1,324
12. Investment Income .....	139	176	159	177	651
13. Federal .....	45	71	58	58	232
14. Provincial and Municipal .....	94	105	101	119	419
15. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	98	102	104	106	410
16. Federal .....	65	67	69	69	270
17. Provincial and Municipal .....	33	35	35	37	140
18. Transfers from Federal; Provincial and Municipal .....	103	106	104	99	412
19. Total Revenue .....	1,720	1,929	1,791	1,760	7,200
20. Federal .....	1,115	1,312	1,172	1,127	4,726
21. Provincial and Municipal .....	605	617	619	633	2,474



EXPENDITURE, BY QUARTERS, 1950-1960  
of dollars)

REVENUE

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
221	302	237	270	1,030	314	368	306	335	1,323	1.
189	278	220	244	931	279	343	289	312	1,223	2.
32	24	17	26	99	35	25	17	23	100	3.
355	398	347	316	1,416	297	378	371	338	1,384	4.
307	345	301	274	1,227	246	358	351	320	1,275	5.
(261)	(253)	(282)	(283)	(1,079)	(317)	(328)	(303)	(315)	(1,263)	6.
48	53	46	42	189	51	20	20	18	109	7.
20	11	13	12	56	19	11	12	13	55	8.
605	655	663	674	2,597	662	678	723	754	2,817	9.
345	382	380	388	1,495	368	376	414	437	1,595	10.
260	273	283	286	1,102	294	302	309	317	1,222	11.
114	138	129	153	534	127	152	161	177	617	12.
33	46	45	56	180	42	54	71	64	231	13.
81	92	84	97	354	85	98	90	113	386	14.
80	83	87	86	336	91	93	93	98	375	15.
54	54	58	55	221	61	62	60	64	247	16.
26	29	29	31	115	30	31	33	34	128	17.
67	62	64	66	259	73	41	92	162	368	18.
1,462	1,649	1,540	1,577	6,228	1,583	1,721	1,758	1,877	6,939	19.
948	1,116	1,017	1,029	4,110	1,015	1,204	1,197	1,210	4,626	20.
514	533	523	548	2,118	568	517	561	667	2,313	21.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
339	392	341	365	1,437	360	380	374	385	1,499	1.
308	360	318	333	1,319	317	342	330	336	1,325	2.
31	32	23	32	118	43	38	44	49	174	3.
236	288	289	269	1,082	235	339	363	335	1,272	4.
222	271	272	253	1,018	224	322	345	319	1,210	5.
(323)	(259)	(268)	(262)	(1,112)	(279)	(249)	(262)	(257)	(1,047)	6.
14	17	17	16	64	11	17	18	16	62	7.
17	14	12	15	58	20	15	15	17	67	8.
742	762	756	773	3,033	774	821	851	873	3,319	9.
390	419	396	407	1,612	396	434	451	463	1,744	10.
352	343	360	366	1,421	378	387	400	410	1,575	11.
144	178	166	199	687	149	197	176	231	753	12.
43	64	57	70	234	39	75	59	94	267	13.
101	114	109	129	453	110	122	117	137	486	14.
101	105	106	110	422	114	116	121	125	476	15.
69	72	72	74	287	78	79	82	85	324	16.
32	33	34	36	135	36	37	39	40	152	17.
114	106	107	103	430	127	107	109	107	450	18.
1,693	1,845	1,777	1,834	7,149	1,779	1,975	2,009	2,073	7,836	19.
1,049	1,200	1,127	1,152	4,528	1,074	1,267	1,282	1,314	4,937	20.
644	645	650	682	2,621	705	708	727	759	2,899	21.

TABLE 13. GOVERNMENT REVENUE AND  
(millions)

		REVENUE				
		1956				
		I	II	III	IV	YEAR
1.	Direct Taxes - Persons .....	402	460	431	439	1,732
2.	Federal .....	348	416	388	398	1,550
3.	Provincial and Municipal .....	54	44	43	41	182
4.	Direct Taxes - Corporations .....	291	390	385	347	1,413
5.	Federal .....	275	368	363	328	1,334
6.	(Federal Tax Collections) .....	(314)	(329)	(340)	(311)	(1,294)
7.	Provincial .....	16	22	22	19	79
Withholding Taxes						
8.	Federal .....	19	19	15	16	69
9.	Indirect Taxes .....	900	946	947	966	3,759
10.	Federal .....	457	511	494	510	1,972
11.	Provincial and Municipal .....	443	435	453	456	1,787
12.	Investment Income .....	175	215	192	252	834
13.	Federal .....	51	85	62	98	296
14.	Provincial and Municipal .....	124	130	130	154	538
Employer and Employee Contributions to Social Insurance and Government Pension Funds .....						
15.	Federal .....	128	131	136	137	532
16.	Federal .....	87	88	91	91	357
17.	Provincial and Municipal .....	41	43	45	46	175
Transfers from Federal:						
18.	Provincial and Municipal .....	114	131	121	119	485
19.	Total Revenue .....	2,029	2,292	2,227	2,276	8,824
20.	Federal .....	1,237	1,487	1,413	1,441	5,578
21.	Provincial and Municipal .....	792	805	814	835	3,246

		1959				YEAR
		I	II	III	IV	
1.	Direct Taxes - Persons .....	479	529	525	550	2,083
2.	Federal .....	385	452	457	476	1,770
3.	Provincial and Municipal .....	94	77	68	74	313
4.	Direct Taxes - Corporations .....	321	425	399	396	1,541
5.	Federal .....	267	353	331	329	1,280
6.	(Federal Tax Collections) .....	(262)	(317)	(303)	(297)	(1,179)
7.	Provincial .....	54	72	68	67	261
Withholding Taxes						
8.	Federal .....	21	16	18	17	72
9.	Indirect Taxes .....	1,034	1,121	1,145	1,142	4,442
10.	Federal .....	459	547	556	569	2,131
11.	Provincial and Municipal .....	575	574	589	573	2,311
12.	Investment Income .....	204	244	237	308	993
13.	Federal .....	55	85	77	122	339
14.	Provincial and Municipal .....	149	159	160	186	654
Employer and Employee Contributions to Social Insurance and Government Pension Funds .....						
15.	.....	158	151	162	178	649
16.	Federal .....	102	93	101	117	413
17.	Provincial and Municipal .....	56	58	61	61	236
Transfers from Federal:						
18.	Provincial and Municipal .....	199	210	230	234	873
19.	Total Revenue .....	2,416	2,696	2,716	2,825	10,653
20.	Federal .....	1,289	1,546	1,540	1,630	6,005
21.	Provincial and Municipal .....	1,127	1,150	1,176	1,195	4,648

EXPENDITURE, BY QUARTERS, 1950-1960  
of dollars)

REVENUE

1957					1958						
I	II	III	IV	YEAR	I	II	III	IV	YEAR		
466	501	474	476	1,917	455	432	440	461	1,788	1.	
401	455	432	435	1,723	390	384	396	411	1,581	2.	
65	46	42	41	194	65	48	44	50	207	3.	
318	382	347	290	1,337	270	338	361	331	1,300	4.	
296	313	285	238	1,132	221	277	295	271	1,064	5.	
(355)	(342)	(353)	(295)	(1,345)	(305)	(266)	(266)	(263)	(1,100)	6.	
22	69	62	52	205	49	61	66	60	236	7.	
27	19	20	17	83	8	6	18	16	48	8.	
986	1,007	1,005	979	3,977	974	1,010	1,013	1,031	4,028	9.	
496	507	503	484	1,990	444	482	487	499	1,912	10.	
490	500	502	495	1,987	530	528	526	532	2,116	11.	
195	220	191	243	849	183	222	237	295	937	12.	
60	83	58	75	276	42	77	86	120	325	13.	
135	137	133	168	573	141	145	151	175	612	14.	
145	143	151	151	590	153	149	156	157	615	15.	
96	93	97	98	384	100	94	99	98	391	16.	
49	50	54	53	206	53	55	57	59	224	17.	
140	123	126	132	521	159	156	161	186	662	18.	
2,277	2,395	2,314	2,288	9,274	2,202	2,313	2,386	2,477	9,378	19.	
1,376	1,470	1,395	1,347	5,588	1,205	1,320	1,381	1,415	5,321	20.	
901	925	919	941	3,686	997	993	1,005	1,062	4,057	21.	

1960						
I	II	III	IV	YEAR		
557	639	578	584	2,358	1.	
447	556	506	507	2,016	2.	
110	83	72	77	342	3.	
328	396	373	352	1,449	4.	
263	317	298	282	1,160	5.	
(307)	(406)	(364)	(306)	(1,383)	6.	
65	79	75	70	289	7.	
23	19	18	17	77	8.	
1,120	1,174	1,155	1,174	4,623	9.	
501	570	541	569	2,181	10.	
619	604	614	605	2,442	11.	
233	253	243	331	1,060	12.	
67	86	72	129	354	13.	
166	167	171	202	706	14.	
187	176	188	188	739	15.	
127	115	125	125	492	16.	
60	61	63	63	247	17.	
249	247	241	254	991	18.	
2,697	2,904	2,796	2,900	11,297	19.	
1,428	1,663	1,560	1,629	6,280	20.	
1,269	1,241	1,236	1,271	5,017	21.	



TABLE 14. GOVERNMENT REVENUE AND  
(millions)

		EXPENDITURE				
		1950				
		I	II	III	IV	YEAR
1.	Goods and Services .....	607	467	628	642	2,344
2.	Federal .....	267	215	244	251	977
3.	(Defence) .....	(136)	(108)	(112)	(137)	(493)
4.	Provincial and Municipal .....	340	252	384	391	1,367
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	303	249	238	240	1,030
6.	Federal .....	182	157	137	139	615
7.	Provincial and Municipal .....	121	92	101	101	415
8.	Interest on the Public Debt .....	99	182	107	157	545
9.	Federal .....	77	143	89	118	427
10.	Provincial and Municipal .....	22	39	18	39	118
11.	Subsidies .....	16	18	15	14	63
12.	Federal .....	14	17	15	14	60
13.	Provincial .....	2	1	-	-	3
14.	Transfers to Provincial and Municipal: Federal .....	58	56	68	69	251
15.	Total Expenditure .....	1,083	972	1,056	1,122	4,233
16.	Federal .....	598	588	553	591	2,330
17.	Provincial and Municipal .....	485	384	503	531	1,903
18.	Deficit (-) or Surplus (+) .....	-43	229	197	202	585
19.	Federal .....	15	158	219	243	635
20.	Provincial and Municipal .....	-58	71	-22	-41	-50
21.	Total Expenditure Minus Deficit or Plus Surplus .....	1,040	1,201	1,253	1,324	4,818
22.	Federal .....	613	746	772	834	2,965
23.	Provincial and Municipal .....	427	455	481	490	1,853

		1953				YEAR
		I	II	III	IV	
1.	Goods and Services .....	1,094	999	1,216	1,123	4,432
2.	Federal .....	718	585	650	606	2,559
3.	(Defence) .....	(590)	(401)	(452)	(464)	(1,907)
4.	Provincial and Municipal .....	376	414	566	517	1,873
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	422	344	346	349	1,461
6.	Federal .....	287	258	243	258	1,046
7.	Provincial and Municipal .....	135	86	103	91	415
8.	Interest on the Public Debt .....	123	200	132	155	610
9.	Federal .....	97	151	106	107	461
10.	Provincial and Municipal .....	26	49	26	48	149
11.	Subsidies .....	25	31	25	29	110
12.	Federal .....	23	30	25	28	106
13.	Provincial .....	2	1	-	1	4
14.	Transfers to Provincial and Municipal : Federal .....	103	106	104	99	412
15.	Total Expenditure .....	1,767	1,680	1,823	1,755	7,025
16.	Federal .....	1,228	1,130	1,128	1,098	4,584
17.	Provincial and Municipal .....	539	550	695	657	2,441
18.	Deficit (-) or Surplus (+) .....	-47	249	-32	5	175
19.	Federal .....	-113	182	44	29	142
20.	Provincial and Municipal .....	66	67	-76	-24	33
21.	Total Expenditure Minus Deficit or Plus Surplus .....	1,720	1,929	1,791	1,760	7,200
22.	Federal .....	1,115	1,312	1,172	1,127	4,726
23.	Provincial and Municipal .....	605	617	619	633	2,474

EXPENDITURE, BY QUARTERS, 1950-1960  
of dollars)

EXPENDITURE

1951				YEAR	1952				YEAR	
I	II	III	IV		I	II	III	IV		
749	648	951	923	3,271	1,026	999	1,133	1,121	4,279	1.
359	359	510	474	1,702	653	593	601	642	2,489	2.
(220)	(243)	(365)	(329)	(1,157)	(511)	(382)	(409)	(498)	(1,800)	3.
390	289	441	449	1,569	373	406	532	479	1,790	4.
296	242	244	250	1,032	379	321	330	329	1,359	5.
165	141	133	138	577	261	241	236	241	979	6.
131	101	111	112	455	118	80	94	88	380	7.
114	169	113	157	553	118	193	115	154	580	8.
92	126	96	113	427	95	145	94	107	441	9.
22	43	17	44	126	23	48	21	47	139	10.
14	81	17	16	128	16	26	30	28	100	11.
12	80	16	16	124	14	25	30	27	96	12.
2	1	1	-	4	2	1	-	1	4	13.
67	62	64	66	259	73	41	92	162	368	14.
1,240	1,202	1,389	1,412	5,243	1,612	1,580	1,700	1,794	6,686	15.
695	768	819	807	3,089	1,096	1,045	1,053	1,179	4,373	16.
545	434	570	605	2,154	516	535	647	615	2,313	17.
222	447	151	165	985	-29	141	58	83	253	18.
253	348	198	222	1,021	-81	159	144	31	253	19.
-31	99	-47	-57	-36	52	-18	-86	52	-	20.
1,462	1,649	1,540	1,577	6,228	1,583	1,721	1,758	1,877	6,939	21.
948	1,116	1,017	1,029	4,110	1,015	1,204	1,197	1,210	4,626	22.
514	533	523	548	2,118	568	517	561	667	2,313	23.

1954				YEAR	1955				YEAR	
I	II	III	IV		I	II	III	IV		
1,057	1,023	1,232	1,149	4,461	1,203	1,062	1,306	1,221	4,792	1.
640	567	621	621	2,449	677	566	651	616	2,510	2.
(528)	(360)	(399)	(440)	(1,727)	(520)	(391)	(414)	(435)	(1,760)	3.
417	456	611	528	2,012	526	496	655	605	2,282	4.
476	387	379	392	1,634	540	420	391	386	1,737	5.
323	294	266	278	1,161	368	320	270	274	1,232	6.
153	93	113	114	473	172	100	121	112	505	7.
130	214	143	182	669	133	187	138	211	669	8.
99	161	113	131	504	98	130	108	158	494	9.
31	53	30	51	165	35	57	30	53	175	10.
18	21	22	25	86	19	21	20	22	82	11.
17	21	22	24	84	17	19	19	20	75	12.
1	-	-	1	2	2	2	1	2	7	13.
114	106	107	103	430	127	107	109	107	450	14.
1,795	1,751	1,883	1,851	7,280	2,022	1,797	1,964	1,947	7,730	15.
1,193	1,149	1,129	1,157	4,628	1,287	1,142	1,157	1,175	4,761	16.
602	602	754	694	2,652	735	655	807	772	2,969	17.
-102	94	-106	-17	-131	-243	178	45	126	106	18.
-144	51	-2	-5	-100	-213	125	125	139	176	19.
42	43	-104	-12	-31	-30	53	-80	-13	-70	20.
1,693	1,845	1,777	1,834	7,149	1,779	1,975	2,009	2,073	7,836	21.
1,049	1,200	1,127	1,152	4,528	1,074	1,267	1,282	1,314	4,937	22.
644	645	650	682	2,621	705	708	727	759	2,899	23.

TABLE 14. GOVERNMENT REVENUE AND  
(millions)

		EXPENDITURE				
		1956				
		I	II	III	IV	YEAR
1.	Goods and Services .....	1,227	1,186	1,548	1,425	5,386
2.	Federal .....	649	626	716	692	2,683
3.	(Defence) .....	(491)	(394)	(448)	(469)	(1,802)
4.	Provincial and Municipal .....	578	560	832	733	2,703
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	538	427	405	396	1,766
6.	Federal .....	351	313	276	284	1,224
7.	Provincial and Municipal .....	187	114	129	112	542
8.	Interest on the Public Debt .....	135	201	148	230	714
9.	Federal .....	96	144	114	170	524
10.	Provincial and Municipal .....	39	57	34	60	190
11.	Subsidies .....	35	30	24	34	123
12.	Federal .....	34	29	23	32	118
13.	Provincial .....	1	1	1	2	5
14.	Transfers to Provincial and Municipal: Federal .....	114	131	121	119	485
15.	Total Expenditure .....	2,049	1,975	2,246	2,204	8,474
16.	Federal .....	1,244	1,243	1,250	1,297	5,034
17.	Provincial and Municipal .....	805	732	996	907	3,440
18.	Deficit (-) or Surplus (+) .....	-20	317	-19	72	350
19.	Federal .....	-7	244	163	144	544
20.	Provincial and Municipal .....	-13	73	-182	-72	-194
21.	Total Expenditure Minus Deficit or Plus Surplus .....	2,029	2,292	2,227	2,276	8,824
22.	Federal .....	1,237	1,487	1,413	1,441	5,578
23.	Provincial and Municipal .....	792	805	814	835	3,246

		1959				YEAR
		I	II	III	IV	
1.	Goods and Services .....	1,465	1,527	1,791	1,633	6,416
2.	Federal .....	712	712	727	681	2,832
3.	(Defence) .....	(457)	(356)	(371)	(376)	(1,560)
4.	Provincial and Municipal .....	753	815	1,064	952	3,584
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	801	687	622	648	2,758
6.	Federal .....	539	461	384	411	1,795
7.	Provincial and Municipal .....	262	226	238	237	963
8.	Interest on the Public Debt .....	168	260	232	284	944
9.	Federal .....	117	178	180	203	678
10.	Provincial and Municipal .....	51	82	52	81	266
11.	Subsidies .....	44	52	49	53	198
12.	Federal .....	43	50	47	49	189
13.	Provincial .....	1	2	2	4	9
14.	Transfers to Provincial and Municipal; Federal .....	199	210	230	234	873
15.	Total Expenditure .....	2,677	2,736	2,924	2,852	11,189
16.	Federal .....	1,610	1,611	1,568	1,578	6,367
17.	Provincial and Municipal .....	1,067	1,125	1,356	1,274	4,822
18.	Deficit (-) or Surplus (+) .....	-261	-40	-208	-27	-536
19.	Federal .....	-321	-65	-28	52	-362
20.	Provincial and Municipal .....	60	25	-180	-79	-174
21.	Total Expenditure Minus Deficit or Plus Surplus .....	2,416	2,696	2,716	2,825	10,653
22.	Federal .....	1,289	1,546	1,540	1,630	6,005
23.	Provincial and Municipal .....	1,127	1,150	1,176	1,195	4,648



EXPENDITURE, BY QUARTERS, 1950-1960  
of dollars

EXPENDITURE

1957					1958					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,283	1,335	1,632	1,472	5,722	1,364	1,441	1,771	1,597	6,173	1.
679	654	723	672	2,728	694	680	759	721	2,854	2.
(511)	(383)	(442)	(429)	(1,765)	(472)	(377)	(404)	(408)	(1,661)	3.
604	681	909	800	2,994	670	761	1,012	876	3,319	4.
583	458	501	534	2,076	766	634	596	657	2,653	5.
395	345	329	394	1,463	542	489	397	476	1,904	6.
188	113	172	140	613	224	145	199	181	749	7.
145	224	147	223	739	148	223	177	233	781	8.
100	156	113	150	519	102	150	136	156	544	9.
45	68	34	73	220	46	73	41	77	237	10.
24	33	27	32	116	29	34	38	38	139	11.
22	31	27	28	108	29	32	36	35	132	12.
2	2	-	4	8	-	2	2	3	7	13.
140	123	126	132	521	159	156	161	186	662	14.
2,175	2,173	2,433	2,393	9,174	2,466	2,488	2,743	2,711	10,408	15.
1,336	1,309	1,318	1,376	5,339	1,526	1,507	1,489	1,574	6,096	16.
839	864	1,115	1,017	3,835	940	981	1,254	1,137	4,312	17.
102	222	-119	-105	100	-264	-175	-357	-234	-1,030	18.
40	161	77	-29	249	-321	-187	-108	-159	-775	19.
62	61	-196	-76	-149	57	12	-249	-75	-255	20.
2,277	2,395	2,314	2,288	9,274	2,202	2,313	2,386	2,477	9,378	21.
1,376	1,470	1,395	1,347	5,588	1,205	1,320	1,381	1,415	5,321	22.
901	925	919	941	3,686	997	993	1,005	1,062	4,057	23.

1960					
I	II	III	IV	YEAR	
1,491	1,533	1,953	1,739	6,716	1.
669	647	732	691	2,739	2.
(434)	(349)	(388)	(390)	(1,561)	3.
822	886	1,221	1,048	3,977	4.
901	754	712	749	3,116	5.
581	494	437	471	1,983	6.
320	260	275	278	1,133	7.
230	254	232	333	1,049	8.
168	169	177	242	756	9.
62	85	55	91	293	10.
54	58	60	62	234	11.
52	56	57	57	222	12.
2	2	3	5	12	13.
249	247	241	254	991	14.
2,925	2,846	3,198	3,137	12,106	15.
1,719	1,613	1,644	1,715	6,691	16.
1,206	1,233	1,554	1,422	5,415	17.
-228	58	-402	-237	-809	18.
-291	50	-84	-86	-411	19.
63	8	-318	-151	-398	20.
2,697	2,904	2,796	2,900	11,297	21.
1,428	1,663	1,560	1,629	6,280	22.
1,269	1,241	1,236	1,271	5,017	23.

TABLE 15. NATIONAL SAVING  
(millions)SOURCE

	1950				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	38	-95	894	-175	662
2. Business Gross Saving .....	533	688	872	738	2,831
3. Undistributed Corporation Profits .....	91	194	295	172	752
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments ....	428	465	491	529	1,913
5. Adjustment on Grain Transactions <sup>1</sup> .....	14	29	86	37	166
6. Inventory Valuation Adjustment .....	-24	-78	-122	-150	-374
7. Government Surplus (+) or Deficit (-) .....	-43	229	197	202	585
8. Residual Error of Estimate .....	3	-4	-118	51	-68
9. Total .....	507	740	1,723	666	3,636

	1953				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	84	-7	1,441	-206	1,312
2. Business Gross Saving .....	810	877	919	772	3,378
3. Undistributed Corporation Profits .....	162	222	219	126	729
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments ....	618	678	665	712	2,673
5. Adjustment on Grain Transactions <sup>1</sup> .....	30	-23	35	-66	-24
6. Inventory Valuation Adjustment .....	3	-4	-42	32	-11
7. Government Surplus (+) or Deficit (-) .....	-47	249	-32	5	175
8. Residual Error of Estimate .....	-55	2	81	114	142
9. Total .....	795	1,117	2,367	717	4,996

ACCOUNT, BY QUARTERS, 1950-1960  
of dollars)

## SOURCE

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
8	168	1,259	-101	1,334	153	-156	1,402	-108	1,291	1.
682	724	792	655	2,853	695	849	842	697	3,083	2.
159	231	184	88	662	132	195	179	112	618	3.
503	552	550	598	2,203	551	610	609	652	2,422	4.
20	-59	58	-31	-12	12	44	54	-67	43	5.
-237	-191	-94	-121	-643	-	62	39	5	106	6.
222	447	151	165	985	-29	141	58	83	253	7.
-21	-55	-24	10	-90	-14	132	61	23	202	8.
654	1,093	2,084	608	4,439	805	1,028	2,402	700	4,935	9.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
213	4	794	-202	809	123	-11	1,071	-333	850	1.
765	896	966	857	3,484	910	1,093	1,198	1,091	4,292	2.
98	173	201	99	571	126	283	333	220	962	3.
671	732	734	768	2,905	754	818	835	859	3,266	4.
-4	-9	31	-10	8	30	-8	30	12	64	5.
38	15	27	6	86	-38	-34	-55	-62	-189	6.
-102	94	-106	-17	-131	-243	178	45	126	106	7.
-80	3	25	39	-13	-35	-63	-35	25	-108	8.
834	1,012	1,706	683	4,235	717	1,163	2,224	847	4,951	9.



TABLE 15. NATIONAL SAVING  
(millions)SOURCE

	1956				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	75	74	1,374	-203	1,320
2. Business Gross Saving .....	1,062	1,256	1,292	1,183	4,793
3. Undistributed Corporation Profits .....	239	349	327	216	1,131
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	827	908	946	961	3,642
5. Adjustment on Grain Transactions <sup>1</sup> .....	-4	-1	19	6	20
6. Inventory Valuation Adjustment .....	-48	-89	-50	-51	-238
7. Government Surplus (+) or Deficit (-) .....	-20	317	-19	72	350
8. Residual Error of Estimate .....	13	-98	38	188	141
9. Total .....	1,082	1,460	2,635	1,189	6,366

	1959				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	335	380	1,232	-193	1,754
2. Business Gross Saving .....	1,071	1,332	1,352	1,307	5,062
3. Undistributed Corporation Profits .....	157	306	270	190	923
4. Capital Consumption Allowances and Miscellaneous Valuation Adjustments .....	933	1,050	1,068	1,092	4,143
5. Adjustment on Grain Transactions <sup>1</sup> .....	-19	-24	14	25	-4
6. Inventory Valuation Adjustment .....	-24	-34	-47	-10	-115
7. Government Surplus (+) or Deficit (-) .....	-261	-40	-208	-27	-536
8. Residual Error of Estimate .....	-111	-164	15	54	-206
9. Total .....	1,010	1,474	2,344	1,131	5,959

1. This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also Footnote 1, Table 3.

ACCOUNT, BY QUARTERS, 1950-1960  
of dollars)

SOURCE

1957					1958					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
220	112	1,030	-160	1,202	318	319	1,164	-127	1,674	1.
1,106	1,284	1,309	1,164	4,863	1,042	1,236	1,214	1,249	4,741	2.
165	279	262	148	854	116	248	222	226	812	3.
960	1,026	1,025	998	4,009	947	995	981	1,007	3,930	4.
-19	-21	22	18	-	-21	-7	11	16	-1	5.
-34	-31	-12	-1	-78	-26	23	2	-34	-35	6.
102	222	-119	-105	100	-264	-175	-357	-234	-1,030	7.
-83	-87	71	127	28	-118	-32	125	129	104	8.
1,311	1,500	2,279	1,025	6,115	952	1,371	2,148	983	5,454	9.

1960					
I	II	III	IV	YEAR	
435	177	1,270	-207	1,675	1.
1,170	1,345	1,312	1,294	5,121	2.
179	259	223	163	824	3.
1,008	1,091	1,080	1,112	4,291	4.
-17	-5	9	19	6	5.
-34	-26	-16	19	-57	6.
-228	58	-402	-237	-809	7.
-86	-199	88	101	-96	8.
1,257	1,355	2,252	970	5,834	9.

TABLE 16. NATIONAL SAVING  
(millions)DISPOSITION

	1950				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	685	872	906	885	3,348
2.   New Residential Construction .....	154	224	259	246	883
3.   New Non-Residential Construction .....	206	249	297	290	1,042
4.   New Machinery and Equipment .....	325	399	350	349	1,423
5. Value of Physical Change in Inventories ....	-132	-32	712	2	550
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-43	-104	-13	-170	-330
7. Residual Error of Estimate .....	-3	4	118	-51	68
8. Total .....	507	740	1,723	666	3,636

	1953				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	1,044	1,335	1,372	1,247	4,998
2.   New Residential Construction .....	210	298	332	326	1,166
3.   New Non-Residential Construction .....	328	405	522	464	1,719
4.   New Machinery and Equipment .....	506	632	518	457	2,113
5. Value of Physical Change in Inventories ....	-122	-18	1,094	-371	583
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-181	-198	-18	-46	-443
7. Residual Error of Estimate .....	54	-2	-81	-113	-142
8. Total .....	795	1,117	2,367	717	4,996



ACCOUNT, BY QUARTERS, 1950-1960  
of dollars)

DISPOSITION

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
84.2	1,056	1,048	1,013	3,959	891	1,200	1,196	1,164	4,451	1.
190	253	238	214	895	150	235	265	283	933	2.
24.2	295	364	369	1,270	297	385	452	432	1,566	3.
410	508	446	430	1,794	444	580	479	449	1,952	4.
27	336	1,079	-528	914	-132	-81	1,189	-464	512	5.
-235	-354	-68	133	-524	32	41	77	23	173	6.
20	55	25	-10	90	14	-132	-60	-23	-201	7.
654	1,093	2,084	608	4,439	805	1,028	2,402	700	4,935	8.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,015	1,291	1,268	1,205	4,779	973	1,344	1,473	1,420	5,210	1.
218	298	351	360	1,227	236	349	399	394	1,378	2.
346	403	489	433	1,671	338	435	561	514	1,848	3.
451	590	428	412	1,881	399	560	513	512	1,984	4.
-86	-76	442	-410	-130	-111	-79	794	-293	311	5.
-174	-200	21	-74	-427	-180	-165	-79	-255	-679	6.
79	-3	-25	-38	13	35	63	36	-25	109	7.
834	1,012	1,706	683	4,235	717	1,163	2,224	847	4,951	8.

TABLE 16. NATIONAL SAVING  
(millions)DISPOSITION

	1956				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	1,267	1,815	1,908	1,784	6,774
2. New Residential Construction .....	291	414	428	393	1,526
3. New Non-Residential Construction .....	425	624	806	734	2,589
4. New Machinery and Equipment .....	551	777	674	657	2,659
5. Value of Physical Change in Inventories ....	191	-17	976	-66	1,084
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-362	-436	-211	-341	-1,350
7. Residual Error of Estimate .....	-14	98	-38	-188	-142
8. Total .....	1,082	1,460	2,635	1,189	6,366

	1959				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	1,329	1,875	1,927	1,763	6,894
2. New Residential Construction .....	343	449	466	476	1,734
3. New Non-Residential Construction .....	451	651	794	693	2,589
4. New Machinery and Equipment .....	535	775	667	594	2,571
5. Value of Physical Change in Inventories ....	-21	-119	744	-307	297
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-409	-446	-312	-272	-1,439
7. Residual Error of Estimate .....	111	164	-15	-53	207
8. Total .....	1,010	1,474	2,344	1,131	5,959

ACCOUNT, BY QUARTERS, 1950-1960  
of dollars)

DISPOSITION

1957					1958						
I	II	III	IV	YEAR	I	II	III	IV	YEAR		
1,542	1,994	2,002	1,797	7,335	1,410	1,883	1,913	1,769	6,975	1.	
248	359	393	409	1,409	301	458	494	510	1,763	2.	
579	775	946	803	3,103	532	718	852	709	2,811	3.	
715	860	663	585	2,823	577	707	567	550	2,401	4.	
115	-32	552	-404	231	-295	-221	554	-371	-333	5.	
-429	-550	-203	-240	-1,422	-281	-322	-194	-286	-1,083	6.	
83	88	-72	-128	-29	118	31	-125	-129	-105	7.	
1,311	1,500	2,279	1,025	6,115	952	1,371	2,148	983	5,454	8.	

1960						
I	II	III	IV	YEAR		
1,411	1,740	1,788	1,673	6,612	1.	
317	365	399	395	1,476	2.	
478	620	787	682	2,567	3.	
616	755	602	596	2,569	4.	
68	-112	670	-310	316	5.	
-308	-472	-119	-292	-1,191	6.	
86	199	-87	-101	97	7.	
1,257	1,355	2,252	970	5,834	8.	



TABLE 17. GOVERNMENT REVENUE AND  
SEASONALLY ADJUSTED  
(millions)

	REVENUE				YEAR
	I	II	1950 III	IV	
1. Direct Taxes - Persons .....	732	692	768	768	740
2. Federal .....	648	608	680	680	654
3. Provincial and Municipal .....	80	84	84	96	86
4. Adjusting Entry <sup>1</sup> .....	4	-	4	-8	-
5. Direct Taxes - Corporations .....	812	836	1,104	1,180	983
6. Federal .....	700	708	936	1,004	837
7. (Federal Tax Collections) .....	(564)	(648)	(700)	(868)	(695)
8. Provincial .....	112	128	168	176	146
9. Withholding Taxes Federal .....	36	64	40	76	54
10. Indirect Taxes .....	1,936	1,996	2,084	2,236	2,063
11. Federal .....	1,024	1,052	1,120	1,264	1,115
12. Provincial and Municipal <sup>2</sup> .....	912	944	964	972	948
13. Investment Income .....	428	472	488	496	471
14. Federal .....	120	156	152	156	146
15. Provincial and Municipal .....	308	316	336	340	325
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	232	244	268	280	256
17. Federal .....	144	148	168	176	159
18. Provincial and Municipal .....	88	96	100	104	97
19. Transfers from Federal: Provincial and Municipal .....	224	240	268	272	251
20. Total Revenue .....	4,400	4,544	5,020	5,308	4,818
21. Federal .....	2,672	2,736	3,096	3,356	2,965
22. Provincial and Municipal .....	1,724	1,808	1,920	1,960	1,853
23. Adjusting Entry <sup>1</sup> .....	4	-	4	-8	-

	REVENUE				YEAR
	I	II	1953 III	IV	
1. Direct Taxes - Persons .....	1,468	1,440	1,396	1,424	1,432
2. Federal .....	1,352	1,404	1,268	1,292	1,329
3. Provincial and Municipal .....	108	104	108	92	103
4. Adjusting Entry <sup>1</sup> .....	8	-68	20	40	-
5. Direct Taxes - Corporations .....	1,364	1,248	1,160	1,108	1,220
6. Federal .....	1,284	1,168	1,084	1,040	1,144
7. (Federal Tax Collections) .....	(1,344)	(1,288)	(1,272)	(1,268)	(1,293)
8. Provincial .....	80	80	76	68	76
9. Withholding Taxes Federal .....	52	48	64	52	54
10. Indirect Taxes .....	2,964	3,040	3,056	3,024	3,021
11. Federal .....	1,660	1,736	1,716	1,676	1,697
12. Provincial and Municipal <sup>2</sup> .....	1,304	1,304	1,340	1,348	1,324
13. Investment Income .....	644	672	652	636	651
14. Federal .....	236	256	232	204	232
15. Provincial and Municipal .....	408	416	420	432	419
16. Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	396	408	416	420	410
17. Federal .....	264	268	276	272	270
18. Provincial and Municipal .....	132	140	140	148	140
19. Transfers from Federal: Provincial and Municipal .....	388	440	420	400	412
20. Total Revenue .....	7,276	7,296	7,164	7,064	7,200
21. Federal .....	4,848	4,880	4,640	4,536	4,726
22. Provincial and Municipal .....	2,420	2,484	2,504	2,488	2,474
23. Adjusting Entry <sup>1</sup> .....	8	-68	20	40	-

EXPENDITURE, BY QUARTERS, 1950-1960  
AT ANNUAL RATES  
of dollars)

## REVENUE

1951					1952						
I	II	III	IV	YEAR	I	II	III	IV	YEAR		
852	980	1,120	1,168	1,030	1,232	1,232	1,400	1,428	1,323	1.	
756	888	1,020	1,060	931	1,168	1,200	1,232	1,292	1,223	2.	
92	96	88	120	99	100	96	92	112	100	3.	
4	-4	12	-12	-	-36	-64	76	24	-	4.	
1,652	1,400	1,280	1,332	1,416	1,372	1,348	1,372	1,444	1,384	5.	
1,452	1,212	1,092	1,152	1,227	1,172	1,272	1,292	1,364	1,275	6.	
(952)	(1,048)	(1,168)	(1,148)	(1,079)	(1,152)	(1,384)	(1,236)	(1,280)	(1,263)	7.	
200	188	188	180	189	200	76	80	80	109	8.	
64	52	56	52	56	60	52	52	56	55	9.	
2,524	2,612	2,628	2,624	2,597	2,740	2,716	2,864	2,948	2,817	10.	
1,456	1,524	1,508	1,492	1,495	1,560	1,496	1,636	1,688	1,595	11.	
1,068	1,088	1,120	1,132	1,102	1,180	1,220	1,228	1,260	1,222	12.	
524	536	532	544	534	584	576	664	644	617	13.	
172	176	180	192	180	212	196	284	232	231	14.	
352	360	352	352	354	372	380	380	412	386	15.	
316	336	344	348	336	364	372	372	392	375	16.	
212	220	228	224	221	244	248	240	256	247	17.	
104	116	116	124	115	120	124	132	136	128	18.	
260	264	256	256	259	280	176	368	648	368	19.	
6,192	6,180	6,216	6,324	6,228	6,632	6,472	7,092	7,560	6,939	20.	
4,112	4,072	4,084	4,172	4,110	4,416	4,464	4,736	4,888	4,626	21.	
2,076	2,112	2,120	2,164	2,118	2,252	2,072	2,280	2,648	2,313	22.	
4	-4	12	-12	-	-36	-64	76	24	-	23.	

1954					1955						
I	II	III	IV	YEAR	I	II	III	IV	YEAR		
1,412	1,440	1,432	1,464	1,437	1,528	1,476	1,492	1,500	1,499	1.	
1,292	1,316	1,316	1,352	1,319	1,328	1,280	1,340	1,352	1,325	2.	
96	120	112	144	118	136	152	200	208	174	3.	
24	4	4	-32	-	64	44	-48	-60	-	4.	
1,116	1,036	1,060	1,116	1,082	1,124	1,228	1,348	1,388	1,272	5.	
1,052	972	996	1,052	1,018	1,072	1,164	1,280	1,324	1,210	6.	
(1,180)	(1,084)	(1,092)	(1,092)	(1,112)	(1,032)	(1,024)	(1,056)	(1,076)	(1,047)	7.	
64	64	64	64	64	52	64	68	64	62	8.	
56	60	52	64	58	64	64	64	76	67	9.	
3,052	3,028	3,000	3,052	3,033	3,164	3,268	3,376	3,468	3,319	10.	
1,640	1,636	1,572	1,600	1,612	1,660	1,692	1,792	1,832	1,744	11.	
1,412	1,392	1,428	1,452	1,421	1,504	1,576	1,584	1,636	1,575	12.	
672	676	688	712	687	704	756	756	796	753	13.	
236	220	236	244	234	232	264	268	304	267	14.	
436	456	452	468	453	472	492	488	492	486	15.	
412	420	424	432	422	456	468	480	500	476	16.	
284	288	288	288	287	312	320	324	340	324	17.	
128	132	136	144	135	144	148	156	160	152	18.	
432	432	432	424	430	480	436	448	436	450	19.	
7,152	7,092	7,088	7,264	7,149	7,520	7,696	7,964	8,164	7,836	20.	
4,560	4,492	4,460	4,600	4,528	4,668	4,784	5,068	5,228	4,937	21.	
2,568	2,596	2,624	2,696	2,621	2,788	2,868	2,944	2,996	2,899	22.	
24	4	4	-32	-	64	44	-48	-60	-	23.	

TABLE 17. GOVERNMENT REVENUE AND  
SEASONALLY ADJUSTED  
(millions)

REVENUE		1956				YEAR
		I	II	III	IV	
1.	Direct Taxes - Persons .....	1,664	1,724	1,768	1,772	1,732
2.	Federal .....	1,460	1,572	1,564	1,604	1,550
3.	Provincial and Municipal .....	164	176	192	196	182
4.	Adjusting Entry <sup>1</sup> .....	40	-24	12	-28	-
5.	Direct Taxes - Corporations .....	1,384	1,408	1,432	1,428	1,413
6.	Federal .....	1,308	1,328	1,348	1,352	1,334
7.	(Federal Tax Collections) .....	(1,184)	(1,324)	(1,360)	(1,308)	(1,294)
8.	Provincial .....	76	80	84	76	79
9.	Withholding Taxes Federal .....	64	84	64	64	69
10.	Indirect Taxes .....	3,668	3,752	3,760	3,856	3,759
11.	Federal .....	1,908	1,996	1,964	2,020	1,972
12.	Provincial and Municipal <sup>2</sup> .....	1,760	1,756	1,796	1,836	1,787
13.	Investment Income .....	796	824	824	892	834
14.	Federal .....	276	304	268	336	296
15.	Provincial and Municipal .....	520	520	556	556	538
16.	Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	508	528	540	552	532
17.	Federal .....	344	356	360	368	357
18.	Provincial and Municipal .....	164	172	180	184	175
19.	Transfers from Federal: Provincial and Municipal .....	428	528	500	484	485
20.	Total Revenue .....	8,512	8,848	8,888	9,048	8,824
21.	Federal .....	5,360	5,640	5,568	5,744	5,578
22.	Provincial and Municipal .....	3,112	3,232	3,308	3,332	3,246
23.	Adjusting Entry <sup>1</sup> .....	40	-24	12	-28	-

1. In these tables many of the series have had to be seasonally adjusted at a finer level of detail, giving rise to totals which differ somewhat from those previously published. Since it is not feasible at this time to revise data prior to 1957, an adjusting entry is necessary to reconcile the detail to previously published totals.

		1959				YEAR
		I	II	III	IV	
1.	Direct Taxes - Persons .....	1,952	2,048	2,128	2,204	2,083
2.	Federal .....	1,628	1,736	1,824	1,892	1,770
3.	Provincial and Municipal .....	324	312	304	312	313
4.	Adjusting Entry <sup>1</sup> .....					
5.	Direct Taxes - Corporations .....	1,500	1,544	1,512	1,608	1,541
6.	Federal .....	1,256	1,280	1,256	1,328	1,280
7.	(Federal Tax Collections) .....	(1,056)	(1,208)	(1,188)	(1,264)	(1,179)
8.	Provincial .....	244	264	256	280	261
9.	Withholding Taxes Federal .....	68	72	72	76	72
10.	Indirect Taxes .....	4,288	4,428	4,528	4,524	4,442
11.	Federal .....	2,000	2,120	2,188	2,216	2,131
12.	Provincial and Municipal <sup>2</sup> .....	2,288	2,308	2,340	2,308	2,311
13.	Investment Income .....	952	992	1,016	1,012	993
14.	Federal .....	316	332	356	352	339
15.	Provincial and Municipal .....	636	660	660	660	654
16.	Employer and Employee Contributions to Social Insurance and Government Pension Funds .....	616	624	648	708	649
17.	Federal .....	392	392	404	464	413
18.	Provincial and Municipal .....	224	232	244	244	236
19.	Transfers from Federal: Provincial and Municipal .....	760	844	940	948	873
20.	Total Revenue .....	10,136	10,552	10,844	11,080	10,653
21.	Federal .....	5,660	5,932	6,100	6,328	6,005
22.	Provincial and Municipal .....	4,476	4,620	4,744	4,752	4,648
23.	Adjusting Entry <sup>1</sup> .....					

2. The quarterly figures of real property taxes unadjusted and seasonally adjusted are obtained by dividing annual totals by four since real property taxes accrue uniformly throughout the taxation year. Because in recent years, changes in real property tax rates have been generally upward, this treatment gives rise to fictitious seasonal between the fourth and first quarters in the seasonally adjusted indirect taxes series.



REVENUE

1957					1958					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,884	1,908	1,924	1,952	1,917	1,848	1,680	1,780	1,844	1,788	1.
1,688	1,724	1,732	1,748	1,723	1,636	1,472	1,588	1,628	1,581	2.
196	184	192	204	194	212	208	192	216	207	3.
										4.
1,484	1,384	1,300	1,180	1,337	1,244	1,248	1,360	1,348	1,300	5.
1,380	1,128	1,064	956	1,132	1,024	1,024	1,112	1,096	1,064	6.
(1,360)	(1,360)	(1,404)	(1,256)	(1,345)	(1,196)	(1,032)	(1,052)	(1,120)	(1,100)	7.
104	256	236	224	205	220	224	248	252	236	8.
92	84	84	72	83	28	24	72	68	48	9.
4,024	3,996	3,984	3,904	3,977	4,020	3,992	4,016	4,084	4,028	10.
2,064	1,988	1,996	1,912	1,990	1,912	1,876	1,912	1,948	1,912	11.
1,960	2,008	1,988	1,992	1,987	2,108	2,116	2,104	2,136	2,116	12.
884	872	816	824	849	852	896	1,012	988	937	13.
320	304	256	224	276	260	288	384	368	325	14.
564	568	560	600	573	592	608	628	620	612	15.
572	580	604	604	590	600	612	624	624	615	16.
376	380	388	392	384	388	392	396	388	391	17.
196	200	216	212	206	212	220	228	236	224	18.
528	496	520	540	521	604	624	664	756	662	19.
9,468	9,320	9,232	9,076	9,274	9,196	9,076	9,528	9,712	9,378	20.
5,920	5,608	5,520	5,304	5,588	5,248	5,076	5,464	5,496	5,321	21.
3,548	3,712	3,712	3,772	3,686	3,948	4,000	4,064	4,216	4,057	22.

I	II	III	IV	YEAR	
2,240	2,476	2,336	2,380	2,358	1.
1,892	2,132	2,016	2,024	2,016	2.
348	344	320	356	342	3.
					4.
1,524	1,436	1,408	1,428	1,449	5.
1,232	1,148	1,124	1,136	1,160	6.
(1,276)	(1,520)	(1,424)	(1,312)	(1,383)	7.
292	288	284	292	289	8.
76	80	76	76	77	9.
4,628	4,644	4,564	4,656	4,623	10.
2,192	2,204	2,132	2,196	2,181	11.
2,436	2,440	2,432	2,460	2,442	12.
1,072	1,040	1,040	1,088	1,060	13.
368	348	332	368	354	14.
704	692	708	720	706	15.
728	732	748	748	739	16.
488	488	496	496	492	17.
240	244	252	252	247	18.
960	996	972	1,036	991	19.
11,228	11,404	11,144	11,412	11,297	20.
6,248	6,400	6,176	6,296	6,280	21.
4,980	5,004	4,968	5,116	5,017	22.

TABLE 18. GOVERNMENT REVENUE AND  
SEASONALLY ADJUSTED  
(millions)

		EXPENDITURE				(million)
		1950				
		I	II	III	IV	YEAR
1.	Goods and Services .....	2,236	2,296	2,360	2,484	2,344
2.	Federal .....	928	952	968	1,060	977
3.	(Defence) .....	(440)	(472)	(484)	(576)	(493)
4.	Provincial and Municipal .....	1,308	1,344	1,392	1,424	1,367
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	1,024	1,036	1,044	1,016	1,030
6.	Federal .....	632	632	600	596	615
7.	Provincial and Municipal .....	404	412	416	428	415
8.	Adjusting Entry <sup>1</sup> .....	-12	-8	28	-8	-
9.	Interest on the Public Debt .....	496	572	540	572	545
10.	Federal .....	372	460	416	460	427
11.	Provincial and Municipal .....	124	112	124	112	118
12.	Subsidies .....	72	64	60	56	63
13.	Federal .....	68	60	56	56	60
14.	Provincial .....	4	4	4	-	3
15.	Transfers to Other Levels of Government: Federal .....	224	240	268	272	251
16.	Total Expenditure .....	4,052	4,208	4,272	4,400	4,233
17.	Federal .....	2,224	2,344	2,308	2,444	2,330
18.	Provincial and Municipal .....	1,840	1,872	1,936	1,964	1,903
19.	Adjusting Entry .....	-12	-8	28	-8	-
20.	Deficit (-) or Surplus (+) .....	348	336	748	908	585
21.	Federal .....	448	392	788	912	635
22.	Provincial and Municipal .....	-116	-64	-16	-4	-50
23.	Net Adjusting Entry .....	16	8	-24	-	-
24.	Total Expenditure Minus Deficit or Plus Surplus .....	4,400	4,544	5,020	5,308	4,818
25.	Federal .....	2,672	2,736	3,096	3,356	2,965
26.	Provincial and Municipal .....	1,724	1,808	1,920	1,960	1,853
27.	Net Adjusting Entry .....	4	-	4	-8	-

		1953				
		I	II	III	IV	YEAR
1.	Goods and Services .....	4,300	4,380	4,500	4,548	4,432
2.	Federal .....	2,660	2,480	2,560	2,536	2,559
3.	(Defence) .....	(1,968)	(1,840)	(1,940)	(1,880)	(1,907)
4.	Provincial and Municipal .....	1,640	1,900	1,940	2,012	1,873
5.	Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	1,444	1,428	1,464	1,508	1,461
6.	Federal .....	1,008	1,020	1,044	1,112	1,046
7.	Provincial and Municipal .....	408	416	424	412	415
8.	Adjusting Entry <sup>1</sup> .....	28	-8	-4	-16	-
9.	Interest on the Public Debt .....	608	636	640	556	610
10.	Federal .....	464	492	484	404	461
11.	Provincial and Municipal .....	144	144	156	152	149
12.	Subsidies .....	120	112	100	108	110
13.	Federal .....	116	108	96	104	106
14.	Provincial .....	4	4	4	4	4
15.	Transfers to Other Levels of Government : Federal .....	388	440	420	400	412
16.	Total Expenditure .....	6,860	6,996	7,124	7,120	7,025
17.	Federal .....	4,636	4,540	4,604	4,556	4,584
18.	Provincial and Municipal .....	2,196	2,464	2,524	2,580	2,441
19.	Adjusting Entry .....	28	-8	-4	-16	-
20.	Deficit (-) or Surplus (+) .....	416	300	40	-56	175
21.	Federal .....	212	340	36	-20	142
22.	Provincial and Municipal .....	224	20	-20	-92	33
23.	Net Adjusting Entry .....	-20	-60	24	56	-
24.	Total Expenditure Minus Deficit or Plus Surplus .....	7,276	7,296	7,164	7,064	7,200
25.	Federal .....	4,848	4,880	4,640	4,536	4,726
26.	Provincial and Municipal .....	2,420	2,484	2,504	2,488	2,474
27.	Net Adjusting Entry .....	8	-68	20	40	-

EXPENDITURE, BY QUARTERS, 1950-1960  
AT ANNUAL RATES  
of dollars)

## EXPENDITURE

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
2,756	3,136	3,592	3,600	3,271	3,996	4,336	4,200	4,584	4,279	1.
1,244	1,588	2,012	1,964	1,702	2,388	2,492	2,352	2,724	2,489	2.
(688)	(1,052)	(1,552)	(1,336)	(1,157)	(1,676)	(1,728)	(1,756)	(2,040)	(1,800)	3.
1,512	1,548	1,580	1,636	1,569	1,608	1,844	1,848	1,860	1,790	4.
1,008	1,020	1,032	1,068	1,032	1,324	1,332	1,392	1,388	1,359	5.
580	568	572	588	577	932	956	1,008	1,020	979	6.
424	456	456	484	455	364	380	384	392	380	7.
4	-4	4	-4	-	28	-4	-	-24	-	8.
560	520	568	564	553	588	604	568	560	580	9.
436	396	440	436	427	456	464	428	416	441	10.
124	124	128	128	126	132	140	140	144	139	11.
76	292	72	72	128	80	92	120	108	100	12.
68	288	68	72	124	76	88	116	104	96	13.
8	4	4	-	4	4	4	4	4	4	14.
260	264	256	256	259	280	176	368	648	368	15.
4,660	5,232	5,520	5,560	5,243	6,268	6,540	6,648	7,288	6,686	16.
2,588	3,104	3,348	3,316	3,089	4,132	4,176	4,272	4,912	4,373	17.
2,068	2,132	2,168	2,248	2,154	2,108	2,368	2,376	2,400	2,313	18.
4	-4	4	-4	-	28	-4	-	-24	-	19.
1,532	948	696	764	985	364	-68	444	272	253	20.
1,524	968	736	856	1,021	284	288	464	-24	253	21.
8	-20	-48	-84	-36	144	-296	-96	248	-	22.
-	-	8	-8	-	-64	-60	76	48	-	23.
6,192	6,180	6,216	6,324	6,228	6,632	6,472	7,092	7,560	6,939	24.
4,112	4,072	4,084	4,172	4,110	4,416	4,464	4,736	4,888	4,626	25.
2,076	2,112	2,120	2,164	2,118	2,252	2,072	2,280	2,648	2,313	26.
4	-4	12	-12	-	-36	-64	76	24	-	27.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
4,264	4,480	4,504	4,596	4,461	4,884	4,644	4,760	4,880	4,792	1.
2,400	2,444	2,424	2,528	2,449	2,576	2,420	2,540	2,504	2,510	2.
(1,784)	(1,664)	(1,692)	(1,768)	(1,727)	(1,780)	(1,800)	(1,732)	(1,728)	(1,760)	3.
1,864	2,036	2,080	2,068	2,012	2,308	2,224	2,220	2,376	2,282	4.
1,556	1,588	1,668	1,724	1,634	1,768	1,752	1,708	1,720	1,737	5.
1,088	1,140	1,200	1,216	1,161	1,256	1,272	1,212	1,188	1,232	6.
456	448	460	528	473	512	492	496	520	505	7.
12	-	8	-20	-	-	-12	-	12	-	8.
644	692	684	656	669	660	616	660	740	669	9.
484	536	512	484	504	488	440	488	560	494	10.
160	156	172	172	165	172	176	172	180	175	11.
84	76	92	92	86	84	80	80	84	82	12.
84	76	88	88	84	76	72	76	76	75	13.
-	-	4	4	2	8	8	4	8	7	14.
432	432	432	424	430	480	436	448	436	450	15.
6,980	7,268	7,380	7,492	7,280	7,876	7,528	7,656	7,860	7,730	16.
4,488	4,628	4,656	4,740	4,628	4,876	4,640	4,764	4,764	4,761	17.
2,480	2,640	2,716	2,772	2,652	3,000	2,900	2,892	3,084	2,969	18.
12	-	8	-20	-	-	-12	-	12	-	19.
172	-176	-292	-228	-131	-356	168	308	304	106	20.
72	-136	-196	-140	-100	-208	144	304	464	176	21.
88	-44	-92	-76	-31	-212	-32	52	-88	-70	22.
12	4	-4	-12	-	64	56	-48	-72	-	23.
7,152	7,092	7,088	7,264	7,149	7,520	7,696	7,964	8,164	7,836	24.
4,560	4,492	4,460	4,600	4,528	4,668	4,784	5,068	5,228	4,937	25.
2,568	2,596	2,624	2,696	2,621	2,788	2,868	2,944	2,996	2,899	26.
24	4	4	-32	-	64	44	-48	-60	-	27.



TABLE 18. GOVERNMENT REVENUE AND  
SEASONALLY ADJUSTED  
(millions)

EXPENDITURE					
	1956				YEAR
	I	II	III	IV	
1. Goods and Services .....	5,132	5,176	5,580	5,656	5,386
2. Federal .....	2,540	2,648	2,744	2,800	2,683
3. (Defence) .....	(1,704)	(1,800)	(1,848)	(1,856)	(1,802)
4. Provincial and Municipal .....	2,592	2,528	2,836	2,856	2,703
5. Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	1,748	1,776	1,776	1,764	1,766
6. Federal .....	1,208	1,236	1,228	1,224	1,224
7. Provincial and Municipal .....	564	552	524	528	542
8. Adjusting Entry <sup>1</sup> .....	-24	-12	24	12	-
9. Interest on the Public Debt .....	672	688	704	792	714
10. Federal .....	492	504	508	592	524
11. Provincial and Municipal .....	180	184	196	200	190
12. Subsidies .....	152	112	96	132	123
13. Federal .....	148	108	92	124	118
14. Provincial .....	4	4	4	8	5
Transfers to Other Levels of Government:					
15. Federal .....	428	528	500	484	485
16. Total Expenditure .....	8,132	8,280	8,656	8,828	8,474
17. Federal .....	4,816	5,024	5,072	5,224	5,034
18. Provincial and Municipal .....	3,340	3,268	3,560	3,592	3,440
19. Adjusting Entry .....	-24	-12	24	12	-
20. Deficit (-) or Surplus (+) .....	380	568	232	220	350
21. Federal .....	544	616	496	520	544
22. Provincial and Municipal .....	-228	-36	-252	-260	-194
23. Net Adjusting Entry .....	64	-12	-12	-40	-
24. Total Expenditure Minus Deficit or Plus Surplus .....	8,512	8,848	8,888	9,048	8,824
25. Federal .....	5,360	5,640	5,568	5,744	5,578
26. Provincial and Municipal .....	3,112	3,232	3,308	3,332	3,246
27. Net Adjusting Entry .....	40	-24	12	-28	-

1959					
	I	II	III	IV	YEAR
1. Goods and Services .....	6,376	6,548	6,340	6,400	6,416
2. Federal .....	2,884	2,948	2,756	2,740	2,832
3. (Defence) .....	(1,616)	(1,588)	(1,520)	(1,516)	(1,560)
4. Provincial and Municipal .....	3,492	3,600	3,584	3,660	3,584
5. Transfer Payments to Persons (Excluding Interest on the Public Debt) .....	2,604	2,844	2,724	2,860	2,758
6. Federal .....	1,792	1,804	1,768	1,816	1,795
7. Provincial and Municipal .....	812	1,040	956	1,044	963
8. Adjusting Entry <sup>1</sup> .....					
9. Interest on the Public Debt .....	824	980	1,024	948	944
10. Federal .....	572	712	736	692	678
11. Provincial and Municipal .....	252	268	288	256	266
12. Subsidies .....	180	200	200	212	198
13. Federal .....	172	192	192	200	189
14. Provincial .....	8	8	8	12	9
Transfers to Other Levels of Government:					
15. Federal .....	760	844	940	948	873
16. Total Expenditure .....	10,744	11,416	11,228	11,368	11,189
17. Federal .....	6,180	6,500	6,392	6,396	6,367
18. Provincial and Municipal .....	4,564	4,916	4,836	4,972	4,822
19. Adjusting Entry .....					
20. Deficit (-) or Surplus (+) .....	-608	-864	-384	-288	-536
21. Federal .....	-520	-568	-292	-68	-362
22. Provincial and Municipal .....	-88	-296	-92	-220	-174
23. Net Adjusting Entry .....					
24. Total Expenditure Minus Deficit or Plus Surplus .....	10,136	10,552	10,844	11,080	10,653
25. Federal .....	5,660	5,932	6,100	6,328	6,005
26. Provincial and Municipal .....	4,476	4,620	4,744	4,752	4,648
27. Net Adjusting Entry .....					

1. See Footnote 1, Table 17.

EXPENDITURE, BY QUARTERS, 1950-1960  
AT ANNUAL RATES  
of dollars)

1957					1958					YEAR	
I	II	III	IV	YEAR	I	II	III	IV	YEAR		
5,508	5,728	5,820	5,832	5,722	5,924	6,188	6,292	6,288	6,173	1.	
2,680	2,744	2,772	2,716	2,728	2,788	2,844	2,888	2,896	2,854	2.	
(1,796)	(1,736)	(1,816)	(1,712)	(1,765)	(1,664)	(1,696)	(1,652)	(1,632)	(1,661)	3.	
2,828	2,984	3,048	3,116	2,994	3,136	3,344	3,404	3,392	3,319	4.	
1,876	1,868	2,192	2,368	2,076	2,468	2,548	2,708	2,888	2,653	5.	
1,308	1,324	1,496	1,724	1,463	1,756	1,868	1,904	2,088	1,904	6.	
568	544	696	644	613	712	680	804	800	749	7.	
										8.	
732	764	700	760	739	756	764	812	792	781	9.	
520	540	496	520	519	528	528	572	548	544	10.	
212	224	204	240	220	228	236	240	244	237	11.	
100	128	120	116	116	120	132	156	148	139	12.	
92	120	112	108	108	116	124	148	140	132	13.	
8	8	8	8	8	4	8	8	8	7	14.	
528	496	520	540	521	604	624	664	756	662	15.	
8,744	8,984	9,352	9,616	9,174	9,872	10,256	10,632	10,872	10,408	16.	
5,128	5,224	5,396	5,608	5,339	5,792	5,988	6,176	6,428	6,096	17.	
3,616	3,760	3,956	4,008	3,835	4,080	4,268	4,456	4,444	4,312	18.	
										19.	
724	336	-120	-540	100	-676	-1,180	-1,104	-1,160	-1,030	20.	
792	384	124	-304	249	-544	-912	-712	-932	-775	21.	
-68	-48	-244	-236	-149	-132	-268	-392	-228	-255	22.	
9,468	9,320	9,232	9,076	9,274	9,196	9,076	9,528	9,712	9,378	24.	
5,920	5,608	5,520	5,304	5,588	5,248	5,076	5,464	5,496	5,321	25.	
3,548	3,712	3,712	3,772	3,686	3,948	4,000	4,064	4,216	4,057	26.	
										27.	

1960					YEAR	
I	II	III	IV	YEAR		
6,488	6,620	6,832	6,924	6,716	1.	
2,700	2,676	2,800	2,780	2,739	2.	
(1,528)	(1,548)	(1,592)	(1,576)	(1,561)	3.	
3,788	3,944	4,032	4,144	3,977	4.	
2,920	3,056	3,208	3,280	3,116	5.	
1,896	1,896	2,060	2,080	1,983	6.	
1,024	1,160	1,148	1,200	1,133	7.	
					8.	
1,064	1,032	1,004	1,096	1,049	9.	
764	752	708	800	756	10.	
300	280	296	296	293	11.	
220	224	244	248	234	12.	
208	212	232	236	222	13.	
12	12	12	12	12	14.	
960	996	972	1,036	991	15.	
11,652	11,928	12,260	12,584	12,106	16.	
6,528	6,532	6,772	6,932	6,691	17.	
5,124	5,396	5,488	5,652	5,415	18.	
					19.	
-424	-524	-1,116	-1,172	-809	20.	
-280	-132	-596	-636	-411	21.	
-144	-392	-520	-536	-398	22.	
					23.	
11,228	11,404	11,144	11,412	11,297	24.	
6,248	6,400	6,176	6,296	6,280	25.	
4,980	5,004	4,968	5,116	5,017	26.	
					27.	

TABLE 19. NATIONAL SAVING  
SEASONALLY ADJUSTED  
(millions)

SOURCE

	1950				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	672	440	812	724	662
2. Business Gross Saving .....	2,328	2,764	3,108	3,124	2,831
3. Undistributed Corporation Profits .....	480	620	992	916	752
4. Capital Consumption Allowances, etc. ...	1,808	1,832	1,980	2,032	1,913
5. Adjustment on Grain Transactions <sup>1</sup> .....	40	312	136	176	166
6. Inventory Valuation Adjustment .....	-96	-312	-488	-600	-374
7. Government Surplus (+) or Deficit (-) .....	348	336	748	908	585
8. Residual Error of Estimate .....	8	72	-432	80	-68
9. Total .....	3,260	3,300	3,748	4,236	3,636

	1953				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	1,212	1,456	1,464	1,116	1,312
2. Business Gross Saving .....	3,456	3,348	3,356	3,352	3,378
3. Undistributed Corporation Profits .....	764	756	716	680	729
4. Capital Consumption Allowances, etc. ...	2,600	2,660	2,672	2,760	2,673
5. Adjustment on Grain Transactions <sup>1</sup> .....	92	-68	-32	-88	-24
6. Inventory Valuation Adjustment .....	12	-16	-168	128	-11
7. Government Surplus (+) or Deficit (-) .....	416	300	40	-56	175
8. Residual Error of Estimate .....	-76	-76	372	348	142
9. Total .....	5,020	5,012	5,064	4,888	4,996



ACCOUNT, BY QUARTERS, 1950-1960  
 AT ANNUAL RATES  
 of dollars)

## SOURCE

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
864	1,892	1,360	1,220	1,334	1,764	928	1,084	1,388	1,291	1.
2,896	2,784	2,856	2,876	2,853	3,048	3,240	3,028	3,016	3,083	2.
672	752	616	608	662	648	604	544	676	618	3.
2,120	2,172	2,216	2,304	2,203	2,320	2,400	2,452	2,516	2,422	4.
104	-140	24	-36	-12	80	236	32	-176	43	5.
-948	-764	-376	-484	-643	-	248	156	20	106	6.
1,532	948	696	764	985	364	-68	444	272	253	7.
-84	-100	-60	-116	-90	20	372	296	120	202	8.
4,260	4,760	4,476	4,260	4,439	5,196	4,720	5,008	4,816	4,935	9.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,124	720	624	768	809	1,016	976	772	636	850	1.
3,240	3,464	3,580	3,652	3,484	3,936	4,168	4,488	4,576	4,292	2.
476	604	632	572	571	668	908	1,104	1,168	962	3.
2,824	2,872	2,928	2,996	2,905	3,172	3,212	3,316	3,364	3,266	4.
-60	-12	20	84	8	96	48	68	44	64	5.
152	60	108	24	86	-152	-136	-220	-248	-189	6.
172	-176	-292	-228	-131	-356	168	308	304	106	7.
-100	-16	40	24	-13	-16	-140	-112	-164	-108	8.
4,588	4,052	4,060	4,240	4,235	4,428	5,036	5,236	5,104	4,951	9.

TABLE 19. NATIONAL SAVING  
SEASONALLY ADJUSTED  
(millions)

## SOURCE

	1956				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	1,096	1,356	1,188	1,640	1,320
2. Business Gross Saving .....	4,672	4,768	4,888	4,844	4,793
3. Undistributed Corporation Profits .....	1,220	1,132	1,092	1,080	1,131
4. Capital Consumption Allowances, etc. ...	3,480	3,572	3,736	3,780	3,642
5. Adjustment on Grain Transactions <sup>1</sup> .....	-28	64	60	-16	20
6. Inventory Valuation Adjustment .....	-192	-356	-200	-204	-238
7. Government Surplus (+) or Deficit (-) .....	380	568	232	220	350
8. Residual Error of Estimate .....	168	-	100	296	141
9. Total .....	6,124	6,336	6,208	6,796	6,366

	1959				YEAR
	I	II	III	IV	
1. Personal Net Saving .....	1,672	2,108	1,680	1,556	1,754
2. Business Gross Saving .....	4,804	4,992	5,256	5,196	5,062
3. Undistributed Corporation Profits .....	860	912	1,028	892	923
4. Capital Consumption Allowances, etc. ...	3,944	4,120	4,232	4,276	4,143
5. Adjustment on Grain Transactions <sup>1</sup> .....	-	-40	-4	28	-4
6. Inventory Valuation Adjustment .....	-96	-136	-188	-40	-115
7. Government Surplus (+) or Deficit (-) .....	-608	-864	-384	-288	-536
8. Residual Error of Estimate .....	-144	-192	-240	-248	-206
9. Total .....	5,628	5,908	6,124	6,176	5,959

1. This item is an adjustment to take account of the accrued earnings of farm operators arising out of the operations of the Canadian Wheat Board. See also Footnote 1, Table 3.

ACCOUNT, BY QUARTERS, 1950-1960  
 AT ANNUAL RATES  
 of dollars)

## SOURCE

1957					1958					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
1,140	1,024	1,280	1,364	1,202	1,496	1,732	1,764	1,704	1,674	1.
4,956	4,848	4,928	4,720	4,863	4,708	4,632	4,596	5,028	4,741	2.
936	844	872	764	854	712	712	748	1,076	812	3.
4,032	4,020	4,036	3,948	4,009	4,000	3,888	3,868	3,964	3,930	4.
-12	-16	20	8	-	-4	32	-20	-12	-1	5.
-136	-124	-48	-4	-78	-104	92	8	-136	-35	6.
724	336	-120	-540	100	-676	-1,180	-1,104	-1,160	-1,030	7.
-28	-12	84	68	28	-116	280	208	44	104	8.
6,656	6,072	6,124	5,608	6,115	5,308	5,556	5,472	5,480	5,454	9.

1960					
I	II	III	IV	YEAR	
2,060	1,312	1,768	1,560	1,675	1.
5,188	5,048	5,104	5,144	5,121	2.
888	764	852	792	824	3.
4,288	4,260	4,268	4,348	4,291	4.
12	24	-16	4	6	5.
-136	-104	-64	76	-57	6.
-424	-524	-1,116	-1,172	-809	7.
-68	-172	-104	-40	-96	8.
6,620	5,560	5,588	5,568	5,834	9.



TABLE 20. NATIONAL SAVING  
SEASONALLY ADJUSTED  
(millions)

## DISPOSITION

	1950				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	3,148	3,244	3,452	3,548	3,348
2. New Residential Construction .....	824	832	924	952	883
3. New Non-Residential Construction .....	988	1,032	1,064	1,084	1,042
4. New Machinery and Equipment .....	1,336	1,380	1,464	1,512	1,423
5. Value of Physical Change in Inventories ....	288	216	192	1,504	550
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-168	-88	-332	-732	-330
7. Residual Error of Estimate .....	-8	-72	436	-84	68
8. Total .....	3,260	3,300	3,748	4,236	3,636

	1953				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	4,948	4,928	5,124	4,992	4,998
2. New Residential Construction .....	1,132	1,148	1,180	1,204	1,166
3. New Non-Residential Construction .....	1,632	1,680	1,796	1,768	1,719
4. New Machinery and Equipment .....	2,184	2,100	2,148	2,020	2,113
5. Value of Physical Change in Inventories ....	464	496	704	668	583
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-464	-488	-396	-424	-443
7. Residual Error of Estimate .....	72	76	-368	-348	-142
8. Total .....	5,020	5,012	5,064	4,888	4,996

ACCOUNT, BY QUARTERS, 1950-1960  
 AT ANNUAL RATES  
 of dollars)

## DISPOSITION

1951					1952					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
3,868	3,912	3,976	4,080	3,959	4,152	4,404	4,500	4,748	4,451	1.
996	944	840	800	895	804	908	956	1,064	933	2.
1,176	1,228	1,292	1,384	1,270	1,464	1,592	1,580	1,628	1,566	3.
1,696	1,740	1,844	1,896	1,794	1,884	1,904	1,964	2,056	1,952	4.
1,092	1,756	956	-148	914	628	260	748	412	512	5.
-784	-1,012	-512	212	-524	432	428	56	-224	173	6.
84	104	56	116	90	-16	-372	-296	-120	-201	7.
4,260	4,760	4,476	4,260	4,439	5,196	4,720	5,008	4,816	4,935	8.

1954					1955					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
4,856	4,804	4,684	4,772	4,779	4,720	5,020	5,396	5,704	5,210	1.
1,180	1,156	1,248	1,324	1,227	1,284	1,360	1,420	1,448	1,378	2.
1,728	1,652	1,648	1,656	1,671	1,736	1,796	1,872	1,988	1,848	3.
1,948	1,996	1,788	1,792	1,881	1,700	1,864	2,104	2,268	1,984	4.
92	-272	-208	-132	-130	144	236	496	368	311	5.
-460	-496	-380	-372	-427	-452	-360	-768	-1,136	-679	6.
100	16	-36	-28	13	16	140	112	168	109	7.
4,588	4,052	4,060	4,240	4,235	4,428	5,036	5,236	5,104	4,951	8.

TABLE 20. NATIONAL SAVING  
SEASONALLY ADJUSTED  
(millions)

## DISPOSITION

	1956				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	6,192	6,728	7,000	7,176	6,774
2. New Residential Construction .....	1,572	1,580	1,520	1,432	1,526
3. New Non-Residential Construction .....	2,236	2,544	2,716	2,860	2,589
4. New Machinery and Equipment .....	2,384	2,604	2,764	2,884	2,659
5. Value of Physical Change in Inventories ....	1,408	848	660	1,420	1,084
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-1,312	-1,236	-1,352	-1,500	-1,350
7. Residual Error of Estimate .....	-164	-4	-100	-300	-142
8. Total .....	6,124	6,336	6,208	6,796	6,366

	1959				YEAR
	I	II	III	IV	
1. Business Gross Fixed Capital Formation .....	6,620	6,916	7,048	6,992	6,894
2. New Residential Construction .....	1,804	1,720	1,688	1,724	1,734
3. New Non-Residential Construction .....	2,480	2,604	2,620	2,652	2,589
4. New Machinery and Equipment .....	2,336	2,592	2,740	2,616	2,571
5. Value of Physical Change in Inventories ....	392	152	460	184	297
6. Surplus (+) or Deficit (-) on Current Account with Non-Residents .....	-1,528	-1,356	-1,628	-1,244	-1,439
7. Residual Error of Estimate .....	144	196	244	244	207
8. Total .....	5,628	5,908	6,124	6,176	5,959



ACCOUNT, BY QUARTERS, 1950-1960  
AT ANNUAL RATES  
of dollars)

DISPOSITION

1957					1958					
I	II	III	IV	YEAR	I	II	III	IV	YEAR	
7,528	7,396	7,296	7,120	7,335	6,984	7,000	6,924	6,992	6,975	1.
1,352	1,364	1,412	1,508	1,409	1,624	1,760	1,796	1,872	1,763	2.
3,060	3,124	3,140	3,088	3,103	2,876	2,872	2,796	2,700	2,811	3.
3,116	2,908	2,744	2,524	2,823	2,484	2,368	2,332	2,420	2,401	4.
708	324	208	-316	231	-796	-296	-84	-156	-333	5.
-1,604	-1,664	-1,296	-1,124	-1,422	-992	-868	-1,160	-1,312	-1,083	6.
24	16	-84	-72	-29	112	-280	-208	-44	-105	7.
6,656	6,072	6,124	5,608	6,115	5,308	5,556	5,472	5,480	5,454	8.

1960					
I	II	III	IV	YEAR	
6,916	6,384	6,500	6,648	6,612	1.
1,640	1,396	1,444	1,424	1,476	2.
2,608	2,476	2,584	2,600	2,567	3.
2,668	2,512	2,472	2,624	2,569	4.
752	424	-132	220	316	5.
-1,120	-1,424	-884	-1,336	-1,191	6.
72	176	104	36	97	7.
6,620	5,560	5,588	5,568	5,834	8.















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